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FROM THE DESK OF THE EDITOR-IN-CHIEF

Part I of volume 66, number 1, begins with *Reforming Copyright Law for a Developing Africa* by Dr. Samuel Samiai Andrews. In his article, Dr. Andrews "critically examines and analyses the significance of digital copyright laws in the growth of Africa's emerging creative industries." He uses Nigeria as a case study, examining the role of copyright laws in "protecting, safeguarding and stimulating African creative industries as an alternative to dependency on natural-mineral resources." He concludes that a "reconceptualized copyright regime is necessary to promote the innovative forces within the African creative industries."

The next article, *Copyright Reversion to Authors (and the* Rosetta *Effect): An Empirical Study of Reappearing Books* by Professor Paul J. Heald of the University of Illinois College of Law, asks if "more new editions of books appear when the law facilitates a change in ownership from an initial publisher back to an author or her heirs? After an examination of datasets containing 1,909 titles, he maintains that there is "strong support for the conclusion that the thirty-five-year termination right of § 203, along with the fifty-six-year termination provision of § 304, result in a significantly increased availability of book titles to the public." He adds that "shifting the ownership of a copyright from the initial transferee/publisher may, under the proper circumstances, result in the republication of out-of-print books." The author concludes that additional study will be needed to "estimate the optimal timing for rights reversion . . .." In his conclusion, Professor Heald notes that: "Given the wide variety of reversionary schemes around the world, the data necessary to craft an optimal regime may be just a few new studies away."

The third article in Part I, *Works of Fiction: The Misconception of Literary Characters as Copyright Works*, by previous *Journal* contributor Professor Jani McCutcheon of the University of Western Australia Law School, "critiques U.S. jurisprudence, commentary and industry practice suggesting that fictional literary characters constitute separate copyright works distinct from the literary works in which they are situated." She maintains that the character-as-work doctrine is "unstable" and argues "that the nature of literary characters precludes them from being clearly and consistently identified and thus perceptible in a copy for the purposes of fixation." The author concludes: "[We] need to abandon the spurious phrase 'copyrightable character' and limit the analysis to literary works, and whether any substantial part of that has been infringed."

The final article in Part I is *The Big "Ban" Theory and Piracy: Which Way Forward for Effective Transnational Copyright Enforcement in China?* by Tianxiang He, an assistant professor at the University of Hong Kong. In this article, the author attempts to explain Korea's response to China's "temporary 'big ban' order regarding Korean cultural exports, from the perspective of transnational copyright enforcement policy." He discusses the ban order and why it so concerned the Korean government, the Korean governmental response to the ban, and why the Chinese market is essential to Korea. To deal with China, the author recommends: "In the case of Korea, the unitive but seemingly ineffective national copyright enforcement policy could instead be subdivided into several feasible copyright enforcement strategies that can accommodate different purposes."

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

REFORMING COPYRIGHT LAW FOR A DEVELOPING AFRICA

by SAMUEL SAMIAI ANDREWS*

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ABSTRACT

This article explores the intersectionality between enhanced national copyright laws and economic growth of African creative industries. Recently, African creative industries, which include films, fashion, traditional cultural expressions, music, and literary arts, resurged into various national economic productive spaces. This article critically examines and analyzes the connecting thread between African creativity and economic growth. I use Nigeria as a case study to critically analyze how a strong national copyright regime may impel an indigenous creative industry, for

example, "Afrollywood."[1] Nollywood, the Nigerian film industry is the third largest globally in terms of production index. Hollywood is the leading film industry while Bollywood and Nollywood occupy the second and third position respectively. Most developing economies in Africa, including Nigeria suffer from legal lag in their intellectual property (IP) right regimes. The consequences of playing "catch-up" in IP policies and rights enforcement stalls the developing of robust regional and international trade systems and creative industrial bases. Therefore, Africa interacts in a monetized creative field that is uneven. This article concludes that a starting approach to spur the African creative industrial economic engine and artistic forces is reforming and enhancing its copyright laws to recognize digital era productive realities.

I. INTRODUCTION

African economies traditionally relied exclusively on the extractive industries of minerals and oil deposits as their sources of revenues for economic and social development.[2] However, from the beginning of this millennium, the World Intellectual Property Organization (WIPO) led the efforts to explore and highlight the relevance of intellectual property rights, particularly copyright in the growth of the African knowledge economy and industries.[3]

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[1] *See* CARMELA GARRITANO, AFRICAN MOVIES AND GLOBAL DESIRES: A GHANAIAN HISTORY 1, 154-194 (2013); *see also* Jyoti Misty & Jordache A. Ellapen, *Nollywood's Transportability: The Politics and Economics of Video Films as Cultural Products*, *in* GLOBAL NOLLYWOOD: THE TRANSNATIONAL DIMENSIONS OF AN AFRICAN VIDEO FILM INDUSTRY 46-69 (Matthias Krings & Onookome Okome eds., 2013); *see, e.g.*, George Issaias, *East Africa: The Start of a Booming Film Industry*?, TRUE AFRICA (Dec. 15, 2015), https://trueafrica.co/article/east-africa-the-start-of-a-booming-film-industry; *see also* Frankline Sunday, *Kenya's Film Industry Is in Revival Mode*, STANDARD DIGITAL (Oct. 6, 2015) https://www.standardmedia.co.ke/business/article/2000178722/kenya-s-film-industry-is-in-revival-mode. The film industries of Nollywood (Nigeria), Ghallywood (Ghana), Bongowood (Uganda), Kennywood (Kenya) and Jollywood+Joziwood+Vollywood (South Africa) all form the resurged African film industries. "Afro" stands for the unique indigenous African feature in this genre of movies.

[2] *See* Ed Stoddard, *Africa Is Still Way Too Dependent on Resources*, REUTERS (Apr. 26, 2013), https://www.reuters.com/article/us-africa-investment/africa-is-still-way-too-dependent-on-resources-idUSBRE93P0HX20130426; *see also* Brian D. Schaefer, *America's Growing Reliance on African Energy Resources*, BACKGROUNDER, THE HERITAGE FOUNDATION (June 20, 2016), www.heritage.org/research/africa/bg1944.cfm

[3] *See* Francis Gurry, *Intellectual Property for an Emerging Africa*, WIPO MAG. (Oct. 2015) http://www.wipo.int/wipo_magazine/en/2015/si/article_0001.html.

African nations in recent years have increased their innovative capacities and focused on alternating their sources of national revenue.[4] Africa has an abundance of creative human capital that needs the deliberate and strategic deployment of an enhanced legal system and public policy.[5] WIPO encourages African nations to adopt a mix of effective Intellectual Property (IP) regimes and policies as a strategy for productive cultural and knowledge-based economies.[6]

In 2002, the *New York Times* coined the indigenous Nigerian film industry, "Nollywood", after Hollywood and Bollywood.[7] Nollywood's unique creative model of shooting low-quality movies within two to four weeks with a video recorder, and taking advantage of an underground piracy distribution infrastructure to market its goods was a novel concept.[8] Part One of this article further highlights the emergence of Nollywood from its pedestrian stage to global recognition.

A. Article Road Map

This article critically examines and analyses the significance of digital copyright laws in the growth of Africa's emerging creative industries, using Nigeria as a case study. It will examine the role of copyright laws in protecting, safeguarding, and stimulating African creative industries as an alternative to dependency on natural-mineral resources.[9] It explores the intersectionality of enhanced copyright regimes of the digital era and Afri-

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[4] *See* Enyinna Nwauche, *Intellectual Property and Creative Industries Policy*, *in* AFRICAN RESEARCH HANDBOOK ON INTELLECTUAL PROPERTY AND CREATIVE INDUSTRIES 85-90 (Abbe E.L. Brown & Charlotte Waedle eds., 2018) (noting the initial erroneous assumptions that creative industries do not impact the GDPs of African countries).

[5] *See* DIFASS, INTELLECTUAL PROPERTY AND HUMAN CAPITAL, http:// http://www.difass.eu/assets/Brochure%205%20IP%20and%20Human%20Capital-0e079806d4898d8712bda85356c08bf0.pdf; *see also* Joel A.C. Baum & Brian S. Silverman, *Picking Winners or Building Them? Alliance, Intellectual and Human Capital as Selection Criteria in Venture Financing and Performance of Biotechnology Startups*, 19 J. BUS. VENTURE 411-36 (2004).

[6] Gurry, *supra* note 3.

[7] *See* Norimitsu Onishi, *How the Times Named "Nollywood"*, NEW YORK TIMES (Feb. 11, 2016), https://www.nytimes.com/2016/02/11/insider/how-the-times-named-nollywood.html; *see also Step Aside, L.A. and Bombay*, NEW YORK TIMES (Sept. 16, 2000), https://www.nytimes.com/2002/09/16/world/step-aside-la-and-bombay-for-nollywood.html; *see, e.g.*, Norimitsu Onishi, *Nigeria's Booming Film Refines African Life*, NEW YORK TIMES (Feb. 18, 2018), https://www.nytimes.com/2016/02/19/world/africa/with-a-boom-before-the-cameras-nigeria-redefines-african-life.html.

[8] Onishi, *supra* note 7; *see* Uchenna Onuzulike, *Nollywood: The Birth of Nollywood, the Nigerian Movie Industry*, 22 BLACK CAMERA 25 (2007).

[9] *See* Wilbert T.K. Kaahwa, *The Institutional Framework of the EAC*, *in* EAST AFRICAN COMMUNITY LAW 43-78 (Emmanuel Ugirashebuja et al. eds., 2017); *see*

can economic growth.[10] This article acknowledges the dearth of African case law and literature on the issues of digital copyright regimes, and will engage mostly in a comparative analysis of the Nigerian and United States legal systems.

Nigeria is Africa's largest economy and the birthplace of the third largest film industry in the world. [11] Nigeria has a population of more than 180 million people and a nation with the largest number of people of black ascendancy in the world.[12] Therefore, Nigeria's potential as a reservoir for cultural and artistic content are significant.[13] This article evolves in three sections. Part I examines the background and necessity for digital copyright in Nigeria's economy using two case studies to highlight the significance of copyright laws in Nigerian socio-economic experiences.

Part I also critically analyzes the impact of the copyright regime on Nigerian creative industry through the perspective of its stakeholders. To understand the reality of Nigerian and African copyright regimes and their dynamic interactions with creators, I conducted semi-structured interviews with a dozen Nigerian film industry stakeholders, which included filmmakers, government copyright regulators, Nollywood actors, culture journalists, and copyright scholars.[14]

The common thread among Nollywood stakeholders with whom I spoke was the need to enhance Nigerian copyright law in policy, enforcement, and through the legal system.[15] A majority of the interviewees held the opinion that enhancing the Nigerian copyright regime will incentivize the creative spark of and spur investment in the Nollywood industry.[16] Part II examines Nigeria's initiative in reforming its copyright regimes to

also Walter A. Friedman & Geoffrey Jones, *Creative Industries in History*, 23 BUS. HIST. REV. 237-44 (2011).

[10] *See* Christopher Zambakari, *Underdevelopment and Economic Theory of Growth: Case for Infant Industry Promotion*, 8 CONSILIENCE: J. SUSTAINABLE DEV. 171-87 (2012).

[11] *See* Uri Friedman, *How Nigeria Became Africa's Largest Economy Overnight*, THE ATLANTIC (Apr. 7, 2014), https://www.theatlantic.com/international/archive/2014/04/how-nigeria-became-africas-largest-economy-overnight/360288.

[12] *See Nigeria's GDP Change: Step Change, Revised Figures Show That Nigeria is Africa's Largest Economy*, THE ECONOMIST (Apr. 12, 2014), https://www.economist.com/news/finance-and-economics/21600734-revised-figures-show-nigeria-africas-largest-economy-step-change.

[13] *See* United Nations Conference on Trade and Development, *Culture Creative Industry*, 2 AFR. POL. & POL'Y (2016), https://www.cultureinexternalrelations.eu/cicr-data/uploads/2016/08/Report21.pdf.

[14] The transcript of conversations and semi-structured interview is available through the author of this article.

[15] *Id.*

[16] *See* Peter Yu, *Five Decades of Intellectual Property and Global Development*, 8 WIPO J. 1-10 (2016).

adapt to the contemporary digital economy. It further examines the intersectionality between enhanced copyright regimes and investment growth in Africa's creative industries.

Finally, Part III critically analyzes the digital copyright regime of the proposed Nigerian law and makes suggestions for a regime fit for Nigeria and Africa. This article concludes by exploring the significance of the African digital copyright regime. The role of IP stakeholders (judges, lawyers, creators, and policymakers) in reconceptualizing an effective copyright regime to protect the African creative industries continues to evolve.

B. Background

Most of the developed nations reformed their IP laws to reflect the acceded IP Treaties of the late 1990s.[17] The United States Congress, for example, enacted the Digital Millennium Copyright Act (DMCA) as part of the United States' laws. [18] The WIPO Copyright Treaty (WCT) heralded the recognition of technological intersections and creativity.[19] The WCT introduced a new legal order different from the traditional copyright methods and focused on forbidding unauthorized reproduction of literary creative and non-literary works enabled by technology. [20] The advent of the Internet and technological innovations in the late 1980s gave birth to a digital economy.[21] Legal scholars coined the term "digital copyright" to capture the connection between the emerging economy and the methods of creating copyrighted works for new platforms.[22]

In Africa, policy makers and the political class have apathetically ignored the creative industries because of either political philosophies or abject ignorance.[23] African creative industries include fashion, film, folk-

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17 *Id.*

18 Digital Millennium Copyright Act Pub. L. No. 105-304, 112 Stat. 28860 (1998), codified at 17 U.S.C §§ 512 et seq. (2012).

19 *Id.*

20 *See* Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994; Marrakesh Agreement Establishing the World Trade Organization; Annex 1C, Legal Instrument-Results of the Uruguay Round, 1869 U.N.T.S 299 (1994).

21 *See* TARLETON GILLESPIE, WIRED SHUT: COPYRIGHT AND THE SHAPE OF DIGITAL CULTURE 8-9 (2007).

22 *See* JESSICA LITMAN, DIGITAL COPYRIGHT 11, 166-86 (2006).

23 *See* Carlos Ropes, *How Can Africa Profit from Its Creative Industries*?, UNITED NATIONS ECONOMIC COMMISSION FOR AFRICA EXECUTIVE SECRETARY'S BLOG (Aug. 19, 2014), https://www.uneca.org/es-blog/creativity-new-money; *see also African Creative Industries: The Sleeping Giant,* AFRICAN BUSINESS MAGAZINE (Jan. 28, 2014), http://africanbusinessmagazine.com/uncategorised/african-creative-industries-the-sleeping-giant/#article-author; *see, e.g.*, Omolade Oladipo, *Creative Industries and the Information Sector*, Quantum Global Q3 2017, AFRICA IN-

lore, traditional culture expressions, sculpture, music, literature, literary works, drama, animation, and celebrity branding.[24] Innovators on new platforms like the Internet and software programs-driven ecosystems began to rely on digital copyright regimes to protect their creativity;[25] such as Technical Protection Measures (TPM), Digital Rights Management (DRM), and takedown and putback processes, which have become significant components of copyright law.[26]

In Nigeria, policy makers concentrated only on the oil economy and completely neglected the significance of the knowledge economy.[27] The Nigerian legislature has ignored the encompassing reach of technology and its relationship with creativity.[28] Issues relating to intellectual property rights in Nigeria were not given due attention until the late 2000s, when Nollywood industry stakeholders gave prominence and visibility to piracy issues affecting the film industry.[29]

Nollywood loses an estimated $2 billion per year to piracy because of Nigeria's weak copyright regime.[30] A survey conducted by the Nigerian Copyright Commission (NCC) and the Ford Foundation in 2008 indicated that pirated copies of creative works constituted 58% of copies in Nigeria.[31] The Nigerian creative industries, like music and traditional cultural

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VESTMENT REVIEW (Sept. 14, 2017), http://africanbusinessmagazine.com/uncategorised/african-creative-industries-the-sleeping-giant/#article-author.

[24] *See* TOM FLEMING CREATIVE CONSULTANCY, SCOPING CREATIVE ECONOMY IN EAST AFRICA 3, 6-27 [n.d.], https://www.britishcouncil.org/sites/default/files/scoping-creative-economy-east-africa.pdf; *see also* Pradip Thomas & Francis B. Nyamnjob, *Intellectual Property Challenges in Africa: Indigenous Knowledge Systems and the Fate of Connected Worlds*, *in* INDIGENOUS KNOWLEDGE SYSTEMS AND INTELLECTUAL PROPERTY IN THE TWENTY-FIRST CENTURY: PERSPECTIVE FROM SOUTHERN AFRICA 12-25 (Isaac Mazonde & Pradip Thomas eds., 2007).

[25] *See* LITMAN, *supra* note 22.

[26] *See* Brodi Kemp, *Copyright's Digital Reformulation*, 5 YALE J. L. & TECH. 141 (2002).

[27] *See* Mohammadu Buhari, *Making Africa Rising a Reality in Nigeria*, BLOOMBERG.COM (Sept. 21, 2016), https://www.bloomberg.com/view/articles/2016-09-21/making-africa-rising-a-reality-in-nigeria (citing the President of Nigeria's concerns of overdependence on oil and gas revenue by Nigeria); *see also* Daniel Tonwe et. al, *Greed and Grievance: The Changing Contours of Environmentalism in Nigeria's Niger Delta Region*, 20 J. HIST. SOC'Y NIGERIA 45 (2011.

[28] *See* Adekola Anthony & Sunday Eze, *Intellectual Property Rights in Nigeria: A Critical Examination of the Activities of the Nigeria Copyright Commission*, 35 J.L. POL'Y & GLOBALIZATION 2224-3240 (2015).

[29] Oludayo Tade, *The Piracy Threat Facing the Nollywood Film Industry*, NEWSWEEK (Apr. 20, 2016), http://www.newsweek.com/who-and-how-pirates-threatening-nollywood-film-industry449994.

[30] *Id.*

[31] *See STRAP and CLAMP: Nigeria Copyright Commission in Action*, WIPO Magazine (Sept. 2008, http://www.wipo.int/wipo_magazine/en/2008/05/article_0009.html.

creators, have the potential to grow Nigeria's economy, as shown in the recent reports on the rebasing of the national gross domestic product (GDP) index.[32] Other African economies can grow their economies by using the same template of Nollywood, provided that there are effective legal frameworks in place.

C. African Cultural Industries: Films Resurgent

African extractive industries have dominated the economic and trade ecosystems of most of its nations.[33] Significantly, African creative industries recently have become a significant source of revenue for some countries.[34] For example, at the beginning of 2014, Nigeria became Africa's biggest economy, with help from Nollywood's revenue stream.[35] Prior to the resurgence of Afrollywood, conflicts over mineral deposit ownership led to civil wars engulfing several countries.[36] For example, Nigeria, Liberia, Sierra Leone, the Democratic Republic of Congo, and South Africa have fought civil wars or experienced environmental degradations directly related to exploration of oil and different types of mineral deposits.[37]

Africa suffers from legal lag in its copyright jurisprudence.[38] Most countries in Africa have not reformed their copyright laws to recognize

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32 *See The* Economist *Explains: How Nigeria's Economy Grew by 89% Overnight*, ECONOMIST.COM (Apr. 8, 2014), https://www.economist.com/the-economist-explains/2014/04/07/how-nigeria-economy-grew-by-89-overnight;

33 Stoddard, *supra* note 2.

34 *See* Enjoli Liston, *Hello Nollywood: How Nigeria became Africa's Biggest Economy Overnight*, THE GUARDIAN (UK) (Apr. 10, 2014), https://www.theguardian.com/world/2014/apr/10/nigeria-africa-biggest-economy-nollywood; *see also Nigeria: The Africa's New Number*, THE ECONOMIST (April 12, 2014), https://www.economist.com/leaders/2014/04/12/africas-new-number-one

35 Friedman, *supra* note 11.

36 *See* Stewart M. Patrick, *Why Natural Resources Are a Curse on Developing Countries and How to Fix It*, THE ATLANTIC (Apr. 30, 2012), https://www.theatlantic.com/international/archive/2012/04/why-natural-resources-are-a-curse-on-developing-countries-and-how-to-fix-it/256508/.

37 *See* Lindiwe Dovey, *Editorial: African Film and Video: Pleasure, Politics Performance*, 22 J. AFR. CULT. STUD. 1-6 (2010); *see also* Theresa Cahan, *Secondary Industries for Tropical Africa*, 14 J. INT'L AFR. INST. 170-76 (1943).

38 *See* THOMAS H. KOENIG & MICHAEL L. RUSTAD, GLOBAL INFORMATION TECHNOLOGIES : ETHICS AND THE LAW 21-36 (2018) (describing legal lag as when legal institutions fail to keep up with the changing social and cultural conditions of society and quoting Justice Benjamin Cardozo posit that law must continually evolve to deal with the emergent social realities); *see also* BENJAMIN CARDOZO, THE GROWTH OF THE LAW 19-20 (1973) (emphasizing that "the inn that provides shelter for the night is not the journey's end. The law, like the traveler must be ready for the morrow. It must have a principle of growth").

the contemporary digital era.[39] African economies until the current millennium paid little or no attention to its creative human capital and industry.[40] With a population of more than 1.3 billion people, Africa has the capacity to promote inter-regional and international trade in creative content to spur its internal economies.[41]

D. Nollywood: The Birth of an Indigenous Creative Industry

1. Living in Bondage (1992): A New Creative Industry

Living in Bondage, a video film shot in Video Home System (VHS) and produced by Kenneth Nnebue in 1992, jump-started the Nollywood industry.[42] Obi-Rapu, who directed *Living in Bondage*, worked at the Nigerian Television Authority as a film content resource person.[43] *Living in Bondage* was a movie made in the indigenous Igbo Nigerian language.[44] This film depicted the local folklore belief in apparitions, deities, and instant justice from the gods.

The film was aesthetically poor but became a symbol of a creative indigenous entrepreneurship.[45] The Nollywood film industry started as a profit-driven commercial enterprise.[46] It primarily took advantage of the

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[39] *See* Peter G.J. Koornhof, *Intellectual Property: What Can Be Learnt from South Africa's "Please Call Me Case"*, The Conversation (August 28, 2015), https://theconversation.com/intellectual-property-what-can-be-learnt-from-south-africas-please-call-me-case-46582

[40] *See* Enjoli Liston, *Hello Nollywood: How Nigeria Became Africa's Biggest Economy Overnight*, The Guardian (Apr. 10, 2014), https://www.theguardian.com/world/2014/apr/10/nigeria-africa-biggest-economy-nollywood.

[41] *See* Kamil Idris, *Intellectual Property: A Power Tool for Economic Growth* 23-52, 189-236 [n.d.], ftp://ftp.wipo.int/pub/library/ebooks/wipopublications/wipo_pub_888e.pdf; *see also* United Nations System Task Team On the Post 2011Millennuim Agenda, Science, Technology and Innovation and Intellectual Property Rights: The Vision for Development (May 2012), http://www.un.org/millenniumgoals/pdf/Think%20Pieces/11_ips_science_innovation_technology.pdf; *see, e.g.*, Judith Winegar Jones, Intellectual Property and Developing Countries: An Overview, 1, 3-10 (Dec. 2013), https://www.hsdl.org/?view&did=446296.

[42] *See* Brian Ogbeide, Nollywood, The Nigerian Film Industry 16 (2012).

[43] *See* Matthew Brown, *At the Threshold of New Political Communities: Some Notes on the History of Nollywood's Epic Genre*, 7 The Global South 55-78 (2013).

[44] *See* Hyginus Ekwuazi, *Igbo Video Film, a Glimpse into the Cult of the Individual*, *in* Nigerian Video Films, 131, 133-34 (Jonathan Haynes ed. 2000).

[45] *See* Jeremy Malcolm, *Blind Users Celebrate as Marrakesh Treaty Implementation Bill Drops*, Electronic Frontier Foundation (Mar. 15, 2018), https://www.eff.org/deeplinks/2018/03/blind-users-celebrate-marrakesh-treaty-implementation-bill-drops.

[46] *See generally* Jonathan Haynes, Nollywood: The Creation Of Nigerian Film Genre (2016).

economic benefits the new source of arts brought to filmmakers. Kenneth Nnebue, the acclaimed progenitor of the Nollywood industry, was the motivating force for this growth.[47] Nnebue explained that "[m]y initial interest on movies was only commercial."[48] The commercial interests of Nollywood stakeholders influenced the creative phases of the industry from the start.[49]

Nollywood filmmakers contend that economic incentive is the principal driving factor for filmmaking, although expression of creative talent plays a motivating force.[50] The late Amaka Igwe, one of Nigeria's female award-winning Nollywood filmmakers, suspended producing and making films because of the depressive economic incentives that befell the industry in later years.[51] Therefore, without commercial profits, Nollywood filmmakers will likely abandon their trade.[52]

Kenneth Nnebue's successful entrepreneurial strides challenged other producers in Nollywood to create films in at a rapid rate.[53] After *Living in Bondage*, several other movies flooded the commercial space and a new cinematographic experience began in Nigeria.[54] *Living in Bondage* is a story about a man, Andy Okeke,[55] who sought wealth and material achievement.[56] Okeke joined a cult to advance his goals of wealth and power. The cult demanded that the prize for wealth be the sacrifice of his wife. Okeke then killed his wife as a sacrifice. The ghost or apparitions of his wife tormented him, and he became mentally ill. Okeke's family resorted to seek spiritual help from a church to heal him of his mental health issues.[57]

The Nigerian audience identified with these movies because they were nuanced factual depictions of the Nigerian socio-cultural experi-

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47 *See* Uzoma Esonwanne, *Interviews with Amaka Igwe, Tunde Kelani and Kenneth Nnebue*, 39 RES. AFR. LITS. 24, 26 (2008).

48 *Id.*

49 *Id.*

50 *Id.*

51 *See* Akin Adesokan, *Amaka Igwe: Why I Stopped Making Films*, PREMIUM TIMES (NIGERIA) (May 18, 2014), http://www.premiumtimesng.com/arts-entertainment/161007-stopped-making-films-amaka-igwe.html.

52 *Id.*

53 *Id.*

54 HAYNES, *supra* note 46, at 3-17 (describing the Nigerian film landscape, which replicated the *Living in Bondage* style of production, with successful films like *Taboo 1* (1993), *Evil Passion* (1993), *Rattlesnake* (1994), *Domitilla* (1997), *Mortal Inheritance* (1996), *Jezebel* (1994), *Nneka, the Pretty Serpent*, and *Igodo: Land of the Living Dead* (1999).

55 *Id.*

56 *Id.* at xix, 14-44.

57 *Id.*

ence.[58] *Living in Bondage* also depicted the folktale of the power of good over evil in local Nigerian folklore and anthropology.[59] Popular folk tales in Nigeria among the Yorubas, Igbos, and most ethnic groups hold the belief that anyone responsible for the death of another will experience torment by the apparition of the deceased.[60]

2. *Piracy and Nollywood's Emergence*

The unfortunate side effect of VHS and videocassette recorder (VCR) technologies were that they enabled easy duplication of films, leading to widespread piracy.[61] Nollywood loses $2 million yearly to piracy and its artists earn less income for their creative works.[62] Piracy has become Nollywood's Achilles' heel because unregulated digital technology enabled the rapid reproduction of their films.[63] The illicit film replication continues .[64]

The straight-to-video (STV) production system became the weak link in the Nollywood distribution chain because the videotapes, DVDs or VHS cassettes had no protection against illegal duplication. [65] A quarter century after the first Nollywood films appeared, the industry is now at a crossroads requiring enhanced copyright protection.[66] Film pirates exploited the high demand and limited access to Nollywood films with the alternatives of unauthorized copies.[67]

In the United States, copyright laws protect the film industry s.[68] Movie studios mostly release their films through approved theatres, thereafter via DVD format, and recently through online streaming.[69] Regard-

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[58] *See* Jonathan Haynes & Onookome Okome, *Evolving Popular Media*, *in* NIGERIAN VIDEO FILMS 51 (2000).

[59] Ekwuazi, *supra* note 44.

[60] *See* Haynes & Okome, *supra* note 58.

[61] *Id.*

[62] *See* Ebuka Obi-Uchendu, *Nollywood, Piracy and the Millennial Crisis*, HUFFINGTON POST (Mar. 7, 2014), http://www.huffingtonpost.com/ebuka-obiuchendu/nollywood-piracy-and-the-millennial-crisis_b_4665209.html.

[63] *Id.*

[64] *Id.*

[65] *See* Nathaniel Bivan, *Billions of Pirated DVDs, CDs Flood Nigerian Markets*, DAILY TRUST (May 16, 2015), https://www.dailytrust.com.ng/weekly/index.php/new-news/20509-billions-of-pirated-dvds-cds-flood-nigerian-markets; *see also* Will Connors, *Nollywood Babylon: Nigeria's Movie Industry Is Winning Global Attention but DVD Piracy May Bring It Down*, WALL STREET JOURNAL (May 22, 2009), https://www.wsj.com/articles/SB10001424052970203771904574177472683696390

[66] Onuzulike, *supra* note 9.

[67] *Id.*

[68] *See* PETER DECHERNEY, HOLLYWOOD'S COPYRIGHT WARS: FROM EDISON TO THE INTERNET 201 (2012).

[69] *Id.*

less of copyright protections, however, piracy is also a threat to the movie industry in the United States, especially with consumers' access to high speed internet connections.[70]

Between 2005 and 2006, the Motion Picture Association of America (MPAA) commissioned an international strategy-consulting firm to conduct a survey, which showed that film piracy, rather than decreasing in the United States, increased in an evolving manner.[71] However, the negative impacts of this underground enterprise in Hollywood compared to Nollywood is on a different economic scale.[72] The U.S. runs a more formal economy where statistics and data support regulatory regimes.[73] The film industry in the U.S. works in a system that easily allows for the tracking of underground film ventures, in contrast to Nigeria.[74]

Nigeria's informal economy enables movie piracy because gatekeepers are unable to monitor actual film reproductions in the black market.[75] In the United States, the formal and highly developed film infrastructure has become the wedge between Hollywood and infringers.[76] The majority of Nollywood pirated films runs beyond the reach of the Nigerian copy-

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[70] *See* MOTION PICTURE ASS'N, THE COST OF MUSIC PIRACY, https://www.wired.com/images_blogs/threatlevel/files/MPAstudy.pdf ; *See also*, Stephen Siwek, The True Cost of Motion Picture Piracy to the U.S. Economy, The Institute for Policy Innovation-Executive Summary, (September 29, 2006) available at https://www.ipi.org/ipi_issues/detail/the-true-cost-of-motion-picture-piracy-to-the-us-economy *See e.g.,* Oludayo Tade, *The Piracy Threat Facing the Nollywood Film Industry*, NEWSWEEK (Apr. 20, 2016), http://www.newsweek.com/who-and-how-pirates-threatening-nollywood-film-industry-449994.

[71] COST OF MOVIE PIRACY, *supra* note 70.

[72] *See* Brett Danaher & Michael D. Smith, *Digital Piracy, Film Quality and Social Welfare*, GEO. MASON L. REV. 923-38 (2017); *see also* Gregory Day, *Competition and Piracy*, 32 BERKELEY TECH. L.J. 775 (2017); *see, e.g.*, Sonia K. Katyal, *Piracy vs. Piracy*, 7 YALE J.L. & TECH. 222-35 (2004).

[73] COST OF MOVIE PIRACY, *supra* note 70.

[74] *See* Paul McDonald, *Hollywood, the MPAA, and the Formation of Anti-Piracy Policy*, 22 INT'L J. CULT. POL'Y 686-705 (2015), https://www.tandfonline.com/doi/abs/10.1080/10286632.2016.1223635.

[75] *See* Sola Fosudo, *Nollywood: The Reality and Illusions of a Film Industry*, *in* TRANSITION IN MUSIC AND THEATRE ARTS IN AFRICA 95-105 (Femi Shaka & Mosunmola Onubiyi-Obidike, eds. 2012), http://www.lasu.edu.ng/publications/arts/olusola_fosudo_bk_028.pdf.

[76] *See* Todd Cunningham, *How Hollywood Is Using the Streaming Boom to Beat Back Digital Pirates*, THEWRAP (Jan. 29, 2006), https://www.thewrap.com/how-hollywood-is-using-the-streaming-boom-to-beat-back-digital-pirates/; *see also* David McGuire, *Studios Step Up Fight Against Online Piracy*, WASHINGTON POST (Dec. 14, 2004), http://www.washingtonpost.com/wp-dyn/articles/A63900-2004Dec14.html?noredirect=on.

right regime,[77] as the unmoored black market thrives and undermined the legitimate film production sector.[78]

3. Nigerian Socio-Economic Reality & Nollywood

Film production in Nigeria with celluloid format met an adverse economic environment in the early 1980s.[79] The military regime in Nigeria had introduced an economic and monetary program, the Structural Adjustment Program (SAP), which restricted the access to foreign exchange necessary for celluloid film production. [80] Nigerian filmmakers were unable to produce films in celluloid format because they could not import film production equipment.[81]

Nollywood films became a feasible alternative for Nigerians and dominated the home video entertainment space. [82] The public cinema business model in Nigeria failed because movie tickets were unaffordable.[83] Another factor that contributed to the death of public cinema was the widespread crime against people and personal property.[84] Attending movies at night was risky because of the high levels of insecurity.[85] The Nigerian economic recession brought untold hardship upon the country, including the creative industries.[86]

In Nigeria, Ghana, Kenya, South Africa, Tanzania, and Uganda, the leading film economies of Africa, the film industry has not attracted large foreign investment.[87] The reasons for thematic and growth deficiencies in the African creative industries include legal regime incapacities and inherent socio-economic lag.[88] For instance, national politics and corruption in

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77 *See* Ramon Lobato, *Creative Industries, and Informal Economies*, 13 INT'L J. CULT. STUD. 337-54 (2010).

78 *See* John McCall, *Nollywood Confidential*, 95 TRANSITION 98-109 (2004).

79 Onuzulike, *supra* note 8.

80 *See* Elimma Ezeani, *Economic and Development Policy-Making in Nigeria*, 56 J. AFR. L.109 (2012).

81 Haynes, *supra* note 46.

82 *See* Alessandro Jedlowski, *From Nollywood to Nollyworld: Processes of Transnationalization in the Nigerian Video Film Industry*, *in* GLOBAL NOLLYWOOD, THE TRANSNATIONAL DIMENSIONS OF AN AFRICAN VIDEO FILM INDUSTRY 25, 27-31 (Matthias Krings & Onookome Okome eds., 2013).

83 *See generally* ONOOKOME OKOME, CINEMA AND SOCIAL CHANGE IN WEST AFRICA (1997).

84 *Id.*

85 *Id.*

86 Haynes, *supra* note 46.

87 *See* Sean Flynn, *Copyright Legal and Practical Reform for the South African Film Industry*, 17 AFR. J. INFO. & COMM. 39-47 (2015).

88 *See* Ned Dalby, *Making Most of Africa's Culture and Creativity: Economic Development, Democracy and Peace Building*, AFRICAN ARGUMENTS (Oct. 10, 2013) http://africanarguments.org/2013/10/10/making-the-most-of-africas-culture-and-

the African continent stalls development.[89] Economics and legal literatures have linked weak legal systems and regulatory enforcement regimes to investors' lackluster approach to the African creative industries.[90]

An increase in Afrollywood film production capacity will translate to huge employment of labor because of the need for talent for film projects.[91] For example, the Nollywood industry as of 2016 directly employed more than 300,000 and indirectly employed more than a million.[92] With an effective copyright regime and policy, it could grow even larger.[93]

Nollywood's technical and infrastructural capacity is presently inadequate when compared to the developed industries of Hollywood and Bollywood.[94] The capital investment that Nollywood would need for an increased production capacity must be diverse and not limited to Nigeria.[95] A strong national intellectual property right regime encourages a multi-lateral development initiative for an effective international trade network. [96]

Effective IP laws in African countries will impel the monetization of creativity and increase creative human capital that exists among their

creativity-economic-development-democracy-and-peacebuilding-by-ned-dalby; *see also* Ann Overbergh, *Innovation and Its Obstacles in Tanzania's Bongowood*, 7 J. ARI. CINEMAS 137-51(2015).

89 Overbergh, *supra* note 88.

90 *See* Oluwayemisi Adebola Oyekunle, *The Contribution of Creative Industries to Sustainable Urban Development of South Africa*, 9 AFR. J. SCI. TECH. INNOVATION & DEVELOP. 601-16 (2017).

91 *See* Aubrey Hruby, *Tap Creative Industries to Boost Africa's Economic Growth*, FINANCIAL TIMES (Mar. 22, 2018), https://www.ft.com/content/9807a468-2ddc-11e8-9b4b-bc4b9f08f381; *see also* OLU AJAKAIYE ET AL., UNDERSTANDING THE RELATIONSHIP BETWEEN GROWTH AND EMPLOYMENT IN NIGERIA (May 2016), https://www.brookings.edu/wp-content/uploads/2016/07/growth-employment-nigeria-ajakaiye-jerome-nabena-alaba.pdf.

92 *See Mfonobong Nsehe, Hollywood, Meet Nollywood*, FORBES (Apr. 19, 2011), https://www.forbes.com/sites/mfonobongnsehe/2011/04/19/hollywood-meet-nollywood/#1eb286765d7a; *see also* Olufunmilayo B. Arewa, *Nollywood and African Cinema: Cultural Diversity and the Global Entertainment Industry, in* DIVERSITY IN INTELLECTUAL PROPERTY: IDENTITIES, INTERESTS, AND INTERSECTIONS 367, 376-77 (Irene Calboli & Srividhya eds., 2015).

93 *Id.*

94 *See* Jake Bright, *Nollywood: The New Business of African Films*, THIS IS AFRICA (May 7, 2014), http://www.thisisafricaonline.com/News/Nollywood-The-new-business-of-African-film?ct=true.

95 *See* Emma Dunkley, *Film Funds Offer a Possible Route for Investors*, FINANCIAL TIMES (Oct. 26, 2015), at https://www.ft.com/content/ebbbb892-6b88-11e5-8171-ba1968cf791a.

96 *See* Anup Tikku, *Indian Inflow: The Interplay of Foreign Investment and Intellectual Property*, 19 THIRD WORLD Q. 87-113 (1998).

populations.[97] Together, the nations' creative industries will create an investment and international trading opportunity with other regions of the world. [98] African creative and cultural industries of the early twenty-first century have already bolstered national economies of countries in the continent.[99]

The 1990s saw countries signing the WIPO Internet treaties, which reflected an attempt by the international intellectual property community to adapt to the changing methods of economic productivity on the Internet and digital platforms.[100] The WIPO Internet Treaties consist of the WCT and the WIPO Performances and Phonograms Treaty (WPPT).[101] More recent treaties include the Beijing Treaty on Audiovisual Performances (Beijing Treaty) and the Marrakesh Treaty to Facilitate Act to Published Works for Persons Who Are Blind Visually Impaired or Otherwise Print Disabled (Marrakesh Treaty).[102] The Internet treaty also includes a humanitarian and social responsibility framework for nations to ease access

97 *See* Terry Flew, *Creative Industries: A New Pathway*, 42 INTERMEDIA 11-13 (2014), http://eprints.qut.edu.au/68631/1/Intermedia_CI_article_42_1_2014.pdf; *see also* Ruth Towse, *Creativity, Copyright and the Creative Industries Paradigm*, 63 KYKLOS 461-78 (2010); *see, e.g.*, Ruth Towse, *Copyright and Cultural Policy for the Creative Industries*, *in* ECONOMICS, LAW AND INTELLECTUAL PROPERTY 419-38 (Ove Grandstrand ed., 2013)

98 *See* Christian Handke, *Intellectual Property in Creative Industries: The Economic Perspective*, *in* RESEARCH HANDBOOK ON INTELLECTUAL PROPERTY AND CREATIVE INDUSTRIES 57-76 (Abbe E.L. Brown & Charlotte Waelde eds., 2018); Hruby, *supra* note 91.

99 *See* EUROPEAN UNION, UNITED IN DIVERSITY, CULTURE IN THE EU'S EXTERNAL RELATIONS: A STRATEGY FOR EU-CHINA CULTURAL RELATIONS: REPORT OF THE EXPORT GROUP ON CULTURE AND EXTERNAL RELATIONS CHINA (Nov. 2012), https://www.cultureinexternalrelations.eu/cier-data/uploads/2016/11/Expert-group-Culture-and-Ext-Rel-China-Final-Report.pdf; *see also* EUROPEAN UNION, CULTURE AND CREATIVE INDUSTRIES IN AFRICA, https://www.cultureinexternalrelations.eu/cier-data/uploads/2016/08/Report21.pdf.

100 *See* Hannibal Travis, *WIPO and the American Constitution: Thoughts on a New Treaty Relating to Actors and Musicians*, 16 VAND. J. ENT. & TECH. L. 45 (2013); *see also* Ruth L. Okediji, *The Regulation of Creativity under the WIPO Internet Treaties*, 77 FORDHAM L. REV. 2379 (2008).

101 Okediji, *supra* note 100.

102 *See* WIPO Copyright Treaty, Dec. 20, 1996, S. TREATY DOC. No. 105-17 (1997), 36 I.L.M. 65 (1997); *see also* WIPO Performances and Phonograms Treaty, Dec. 20, 1996, S. TREATY DOC. No. 105-7 (1997), 36 I.L.M. 76 (1997); *see, e.g.*, *WIPO*, Beijing Treaty on Audiovisual Performances, WIPO Doc. WVP/DC/20 (June) 24, 2012); *see also* Jeremy Malcolm, *Blind Users Celebrate as Marrakesh Treaty Implementation Bill Drops*, ELECTRONIC FRONTIER FOUNDATION (Mar. 15, 2018), https://www.eff.org/deeplinks/2018/03/blind-users-celebrate-marrakesh-treaty-implementation-bill-drops.

to published works for the blind, visually impaired or print disabled persons.[103]

E. Issues Arising: Microsoft Corporation v. Franike Associates

I will use three cases in an illustrative analysis to highlight the significance of IP rights in contemporary Africa and Nigeria. First, in the case of *Microsoft Corp. v. Franike Associates, Ltd.*,[104] the Nigerian Court of Appeal had the opportunity to frame or create a Nigerian digital copyright jurisprudence but did not rise to the occasion. In *Microsoft,* the Nigerian Court of Appeal, which is the second highest hierarchical court, erroneously held that the Nigerian copyright laws could not protect Microsoft Corporation's windows programs because the Microsoft was a foreign entity.[105]

Second, *Nigerian Bar Association v. Oladelemi Olubakin* highlights the significance of IP in the social spaces of everyday Nigerian activity.[106] The Nigerian lawyer-visual artist alleged that the Nigerian Bar Association (NBA) infringed his copyright in a portrait he made of the Nigerian president. [107] This is significant because the NBA, the highest regulating body of professional lawyers, found itself in a dispute involving basic issues of creative rights.[108] The raised queries and the need for a critical examination of IP law practice in Nigeria.

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[103] *See* Corilee Christou, *Marrakesh Treaty Implementation Act Builds Momentum*, NEWSBREAK (Apr. 3, 2018), http://newsbreaks.infotoday.com/NewsBreaks/Marrakesh-Treaty-Implementation-Act-Builds-Momentum-124159.asp.

[104] 3 NWLR [PT. 1287] 301 (F.H.C. 2012) (Nigeria).

[105] *Microsoft*, 3 NWLR [PT. 1287] 301 (affirming the holdings of the lower court (federal High court that "[t]here is nothing before the court to show that there is any reciprocal extension of protection of the copyright in question False).

[106] *See* Unini Chioma, *Buhari Portrait Controversy: Oladelemi Olubakin, Esq Sues NBA over Conversion of Artwork, Demands $1,390,000 as Damages*, THE NIGERIA LAWYER (Mar. 14, 2018), http://thenigerialawyer.com/buhari-portrait-controversy-oladele-olubakin-esq-sues-nba-over-conversion-of-artwork-demands-n500million-as-damages (citing suit No. FHC/ABJ/CS/240/18, F.H.C., Abuja, Nigeria); *see also* Mark F. Schultz, *Copynorms: Copyright Law and Social Norms*, *in* INTELLECTUAL PROPERTY AND INFORMATION WEALTH: ISSUES AND PRACTICE IN THE DIGITAL AGE VOL 1. 201-235 (Peter K. Yu, ed., Westport: Praeger Perspectives, 2007).

[107] Chioma, *supra* note 106.

[108] *See* Unini Chioma, *Falana Writes NBA, Demands Immediate Return of Olubakin Philips' Painting, Which NBA Presented to Buhari as Birthday Gift*, THE NIGERIA LAWYER (Feb. 21, 2018), http://thenigerialawyer.com/falana-writes-nba-demands-immediate-return-of-olubakin-philipss-painting-which-nba-presented-to-buhari-as-birthday-gift; *see also* Unini Chioma, *NBA Welfare Secretary, Gives His Own Account on Oladelemi Olubakins's Painting Gifted to Buhari on His Birthday*, THE NIGERIA LAWYER (Feb. 22, 2018), http://thenigerialawyer.com/nba-welfare-secretary-gives-his-own-account-on-oladelemi-olubakins-painting-gifted-to-buhari-on-his-birthday.

The cause of disagreement deduced from press reports and online commentaries seemed to touch on the visual artist's exclusive right to control the access, transfer, transmission, and distribution of his work.[109] The lawyer-artist alleged that the NBA's presentation of the portrait to the Nigerian President, Mohammad Buhari, in a ceremony at Aso Rock, the State House and seat of the federal government of Nigeria, was an infringement of his copyright.[110]

This section will not attempt to litigate the disputes, but will use the cases to examine and analyze the significance of IP issues in the most mundane transactional social space. Finally, in the small West African nation of Benin, the case of *Kidjo Angélique v. Akpovi H. Athanas* shows how the traditional communities in developing economies have advanced the recognition of cultural and traditional expressive properties.[111] Most African traditional communities apply preexisting customary laws and use the recognized indigenous political systems to protect cultural properties.[112]

Microsoft Corp. v. Franike[113] illustrates the current jurisprudence of digital copyright law in Nigeria. Microsoft Corporation sued Franike and its representatives in the Federal High Court of Nigeria for infringing its copyright in various software programs, including its Windows program.

Franike Associates, the respondent, raised a preliminary objection before the court, arguing that Microsoft as a United States company did not enjoy copyright protection under the Nigerian copyright law.[114] Agreeing with the respondents' stated reason, the Federal High Court held that it lacked jurisdiction under the Nigerian constitution to entertain the lawsuit.[115] Microsoft lost the case at the Federal High Court and appealed to the Nigerian Court of Appeal.[116] The Court of Appeal affirmed the decision of the lower court. The court based its ruling on its lack of jurisdiction because Microsoft was a non-Nigerian corporation and there

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109 Copyright Act (2004), Cap. 28, § 6 (b) (Nigeria).

110 Aroture, *supra* note 97. (Aso Rock is the official residence of the President of the Federal Republic of Nigeria and the seat of government.).

111 *See* Hervé G. Adoukonou, *Recent Jurisprudence in Benin: Copyright-Authorship of the Work-Pre-existence-Plagiarism-Penalties*, 36 COPYRIGHT BULL. 58 (2002) (exploring the jurisprudence laid out in a superior court in Benin, a Western Africa nation in the case between popular French musician Kidjo Angélique versus Akpovi H. Athanase, which held that the author of an a intellectual work owns exclusive incorporeal property rights in the work and its title enforceable against all parties).

112 *See* Paul Kuruk, *African Customary Law and the Protection of Folklore*, 36 COPYRIGHT BULL. 5 (2002).

113 *Microsoft*, 3 NWLR [PT. 1287] 301 (page 99 of record of appeal) of ruling in the Federal High Court).

114 *Id.*

115 *Id.*

116 *Microsoft*, 3 NWLR [PT. 1287] 301.

was a lack of evidence to show that Nigeria had reciprocal obligations to enforce U.S. copyright law on its corporations or citizens.[117] Although the courts decided this case principally on jurisdictional grounds, their rulings touched on requirements for copyright protection in Nigeria. The Court of Appeal for the first time recognized copyright protection for technological creations, computer programs and software, which was an affirmation of digital copyright jurisprudence in Nigeria.[118] Even under the current Nigerian copyright law, no formal registration or certification confers copyright, nor standing for a copyright lawsuit.[119]

1. The Doctrine of National Treatment Ignored

The United States and Nigeria were signatories to the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention) and the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs) prior to the Microsoft lawsuit.[120] Under these, Nigeria and the United States have reciprocal obligations to protect the copyright of nationals and corporations of member states.[121] Nigeria and the United States have acceded to these international copyright treaties, which recognize the reciprocal obligation of copyright enforcement and the non-formality doctrine for copyright enforcement.[122]

The international copyright treaties require Nigeria and the United States to apply the principle of national treatment in their internal copy-

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117 Copyright (Reciprocal Extension), (1972) Order (Nigeria) (listing United States, Germany, Sweden, France, and Netherland as countries that Nigeria should protect its copyright based on reciprocity).

118 *Microsoft*, *supra*, note 113.

119 *See* Adetola Adeleye, *Intellectual Property Rights Enforcement in Nigeria: Regulatory Agencies to the Rescue*, U. Penn. J. Int'l L. (2016), http://pennjil.com/intellectual-property-rights-enforcement-in-nigeria-regulatory-agencies-to-the-rescue; *see also* World Intellectual Property Organization Creative Expression: An Introduction to Copyright and Related Rights for Small and Medium Sized Enterprises (2006) (Publication No. 918), http://www.wipo.int/edocs/pubdocs/en/sme/918/wipo_pub_918.pdf.

120 The United State adopted the TRIPs Agreement in 1995, while Nigeria adopted it in 1995 and the Berne Convention came into force in the U.S., and Nigeria in 1989 and 1993 respectively.

121 *See* Graeme Dinwoodie, *The Development and Incorporation of International Norms in the Formation of Copyright Law*, 62 Ohio St. L. J. 733 (2001).

122 *See, e.g.*, Berne Convention for the Protection of Literary and Artistic Works 1161 U.N.T.S., July 24, 1971, art. 5(2) [hereinafter referred to as the Berne Convention]; Agreement on Trade Related Aspects of Intellectual Property Rights, April 15, 1994. 33 I.L.M. 1197 (1994) [hereinafter refer to as the TRIPs Agreement]; *see also Michael Carrol, A Realist Approach to Copyright Law's Formalities*, 28 Berkeley Tech. L. J. 1511 (2013).

right enforcement.[123] The principle of national treatment simply means that Nigeria should treat a United States copyrighted work as it would treat a Nigerian work.[124] Nigerian laws have expressly recognized these international treaties.[125] They confer copyright on works of an author who "is a citizen of or domiciled in or a body corporate established by or under the laws of a country that is a party to an obligation in a treaty or other international agreement to which Nigeria is a party."[126]

Nigerian courts denied Microsoft Corp. copyright protection because it did not show proof of a certificate of reciprocity.[127] A certificate of reciprocity is unnecessary when factual evidence exists that Nigeria and United States are signatories to international treaties that recognize the reciprocal enforcement of copyright.[128] The *Microsoft* court erroneously interpreted the Nigerian and international jurisprudence on non-formal requirements for copyright.[129] However, the existing Nigerian laws, contrary to the holding of the *Microsoft* courts, protect the copyright of United States citizens and corporations duly protected under the laws of the United States.[130]

Perhaps a proper understanding of the international intellectual property regimes by the presiding judges would have prevented a tenuous ruling.[131] However, the *Microsoft* court tacitly acknowledged that Nigerian

123 *See* Brent Sadler, *Intellectual Property Protection Through International Trade*, 14 HOUS. J. INT'L L. 393 (1992).

124 *See* Tim Wu, *Treaties' Domains*, 93 VA. L. REV. 571 (2007); *see also* Amy J. Benjamin, *International Copyright Treaties and Laws*, 2002 A. B. A. SEC. INTELL. PROP. L. ANN. REP. 1 (2002–03).

125 Island Records, Inc., v. Abusi Oluwa Trading Stores, FHC/L/115/86 (Nigeria) (holding that the Nigerian Copyright (Reciprocal Extension) Order (1972) listed the United States, United Kingdom, France, Germany, Sweden, and Netherlands as countries that Nigeria owes reciprocal obligations under international treaty to protect the copyright of its citizens and corporations; however, later Nigerian courts have ignored this position).

126 Copyright Act (2004), Cap. 28, § 5(1)(a)(i), (ii) (Nigeria).

127 *Id.*

128 Copyright (Reciprocal Extension) Order (1972) (Nigeria).

129 *See* Amanda Reid, *Claiming the Copyright*, 34 YALE L. & POL'Y REV. 425 (2015).

130 Copyright (Reciprocal Extension) Order 1972 (protecting copyrights of United States citizens and corporations legally registered under U.S. laws); *see also* FHC/L/115/86.

131 *See* Ifeoluwa Olubiyi, *Reciprocal Extension of Copyright and National Treatment: Microsoft Corporation v. Franike Associates, Ltd.*, 2 SOUTH AFR. INTELL. PROP. L.J. 98-108 (2014); in the *Microsoft* case, surprisingly all Justices of the Nigerian Court of Appeal on the panel hearing this suit, Pemu, JCA, Ariwoola, JCA and Salawa, JCA affirmed the erroneous decision of the Federal High Court.

copyright laws protect a computer program as a literary work.[132] The *Microsoft* court's recognition of Nigeria's digital copyright jurisprudence creates a legal framework for the Nigerian creative industries to enforce their rights.[133]

2. Nigerian Bar Association v. Oladelemi Olubakin[134]

The Nigerian Copyright Act enumerates the nature of copyright in an artistic work, including[135] the right to control the distribution, reproduction, and transfer the electronic or physical copy of a creation, in this case, a painting.[136] Oladelemi Olubakin, a lawyer and visual artist, is the author and probably the copyright owner of the portrait.[137] A portrait of the Nigerian President drawn by Olubakin is an artistic work under Nigerian law.[138]

The Nigerian Copyright Act did not specifically enumerate an exhaustive scope of rights for a creative work.[139] However, it enumerated general rights of an author, although without remedies in contemporary copyright jurisprudence.[140] Copyright law determines and regulates ownership of creative works.[141] It grants owners the authority to regulate the sales, use, transmission, and transfer of protected works.[142] However, the fair use and fair dealing doctrines, as explained in Part II of this article, will cushion the potentially overbearing exclusive powers of a right holder.

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[132] *See* Microsoft v. Franke Assocs., 3 NWLR [PT. 1287] 301 (F.H.C. 2012) (Nigeria); *see also* Copyright Act (2004) Cap. 28, § 51(Nigeria) (defining literary works to include computer programs).

[133] Copyright Act (2004) Cap. 28, § 51 (Nigeria) (defining literary works to include computer programs).

[134] *See* Bob Aroture, *Lawyer Threatens to Sue Nigerian Bar Association for Gifting President Buhari a Portrait* , NLIP Watch (Feb. 22, 2018), https://nlipw.com/lawyer-sucs-nigerian-bar-association-for-gifting-president-buhari-a-portrait/; Unini Chioma, *supra* note 113.

[135] Copyright Act (2004) Cap. 28, § 6(1) (b) (2) (Nigeria) (defining the general nature of copyright in an artistic work which includes graphic and fine arts).

[136] Copyright Act (2004) Cap. 28, §§ 1, 6 (Nigeria).

[137] *See* Offrey v. Ola & Ors Hos/23/68 (1969) (Nigeria) (holding that copyright would exist in each product if that product is the result of some large or real expenditure of mental or physical energies of the producer and the laborers skill was not a negligible or common place one).

[138] *Id.*

[139] Copyright Act (2004) (Nigeria).

[140] *See* Ruth Gana Okediji, *Copyright and Public Welfare in Global Perspective*, 7 INDIANA J. GLOBAL L. STUD. 117-189 (1999); *see also* Pamela Samuelson, *Justifications for Copyright Limitations and Exceptions*, *in* Copyright Law in an Age of Limitations and Exceptions 12-53 (Ruth L. Okediji ed., 2017); 17 U.S.C §§ 301–304 (2012).

[141] Copyright Act (2004) Cap. 28, §§ 1, 6 (Nigeria).

[142] *Id.*

Thus, copyright law is the controlling jurisprudence above every other regime in creative rights.[143] The Nigerian copyright law grants the author of a copyrighted work "[t]he exclusive right to control the doing in Nigeria of any of the following acts, that is False"[144] Therefore, the author of a portrait may exert his copyright to control and regulate how other parties and the public use his or her creation.[145]

3. *Kidjo Angélique v. Akpovi H. Athanase*[146]

African cultural content used specifically for cinematographic creations deserve a renegotiated platform. Nigeria, Ghana, and most African legal systems protect proprietary rights in fashion design, folklore, and cultural creative works.[147] However, most Western legal systems give limited or no protection to folklore and cultural expressions.[148] For example, in the Benin Republic, a French-speaking West African country, the court in a cultural rights infringement case involving folkloric songs denied a popular French musician, Angelique Kidjo, a public domain defense. The court reasoned that:

> Considering that the author of an intellectual work shall enjoy, by the mere fact of its creation, an exclusive incorporeal property right in the work, enforceable against all persons; That the title of an intellectual work, in so far as it is original in character, shall be protected in the same way as the work itself; That, even where such a work is no longer protected no one may use, modify or adapt this title to distinguish a work of

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143 *See* Michael A. Carrier, *The Propertization of Copyright, in* INTELLECTUAL PROPERTY AND INFORMATION WEALTH: ISSUES AND PRACTICE IN THE DIGITAL AGE VOL I. 345-360 (Peter K. Yu ed., 2007).

144 Copyright Act (2004) Cap. 28 § 6(1) (Nigeria).

145 Carrier, *supra* note 134; Samuelson, *supra* note 139.

146 *See* Hervé G. Adoukonou, *Recent Jurisprudence in Benin: Copyright-Authorship of the Work-Pre-existence-Plagiarism-Penalties*, 36 COPYRIGHT BULL. 58 (2002), http://unesdoc.unesco.org/images/0012/001277/127784e.pdf (exploring the decision of superior court in Benin, a Western Africa nation, which was decided on April 8, 1998, in the case between popular French musician Kidjo Angélique versus Akpovi H. Athanase. Here, the court, held that the author of an intellectual work owns an exclusive incorporeal property right in the work and its title enforceable against all parties); *see also* Paul Kuruk, *African Customary Law and Protection of Folklore*, 36 COPYRIGHT BULL. 5-35 (2002).

147 *See* BANKOLE SODIPO, PIRACY AND COUNTERFEITING: GATT, TRIPS AND DEVELOPING COUNTRIES 1, 37-50 (1997); *see also* Gertrude Torkornoo, *Creating Capital from Culture: Re-thinking the Provisions on Expressions of Folklore in Ghana's Copyright Law*, 18 ANN. SURV. INT'L & COMP. 1 (2012).

148 *See* Paul Kuruk, *Protecting Folklore Under Modern Intellectual Property Regimes: A Reappraisal of Tensions: Between Individual and Communal Rights in Africa and the United States*, 48 AM. U. L. REV. 769 (1999); *see also* Adebambo Adewopo, Protection and Administration of Folklore in Nigeria, https://ssrn.com/abstract=1127645.

> the same kind or of a different kind if such use is liable to create confusion; That the author shall enjoy the right to respect for his or her name, authorship and work, this right being perpetual, inalienable and imprescriptible; Considering that the evidence contained in the case-file establishes that the musical works entitled Anidjo Makou and Gnonnou Non Kpassou Dogbe were created, composed and realized by Mr. Athanase Houévègnon Akpovi.[149]

The intellectual creation of Athanase Houévègnon Akpovi in the songs parallels the proprietary themes of contemporary copyright.[150] The court reasoned that the musical elements copied from the songs, *Anidjo Makou* and *Gnonnou Non Kpassou Dogbe* were derivatives of folklore.[151] The Beninese court recognized the existing traditional customary law system that protects folklore in indigenous African societies. [152]

There is a jurisprudential tension between the African system and the Western system on issues of IP protection of culture.[153] Therefore, within the context of folklore and fashion designs, the African creator deserves a fair economic value compensatory system based on the general objectives of Lockean IP rights, as reflected in Nigerian and most African legal systems. [154]

Most scholars claim that the cost of innovation will increase and contemporary society will be the ultimate loser in the potential legal tension that inures if every aggrieved indigenous community asserts a claim for reparation and compensation.[155] An international collective should agree on a treaty that places global responsibility on the comity of nations, for the protection of African and other traditional societies' cultural content. [156] Adopting transactional approaches as a strategy for amicable consensus between developed and developing economies will achieve efficient

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149 Ct. App. Cotonou, Decree No. 71/2nd CCMS/2000 (May 17, 2000) (Benin).

150 *Id.*

151 *Id.*

152 *See* Sodipo, *supra* note 154.

153 *See* Christine Farley, *Protecting Folklore of Indigenous Peoples: Is Intellectual Property the Answer?*, 30 CONN. L. REV. 1 (1997).

154 *See* Paul Kuruk, *The Role of Customary Law Under Sui Generis Framework of Intellectual Property Rights in Traditional and Indigenous Knowledge*, 17 IND. INT'L & COMP. L. REV. 67 (2007).

155 *See* Kevin J Greene, *Copyright, Culture and Black Music: A Legacy of Unequal Protection*, 21 HASTINGS COMM. & ENT. L.J. 399 (1999); *see also* Kevin J. Greene, Stealing the Blues: Does Intellectual Property Appropriation Belong in the Debate over African-American Reparation? (Dec. 1, 2004), https://ssrn.com/abstract=655424; *see, e.g.*, KEVIN J. GREENE, "COPYNORMS" MASS APPROPRIATIONS OF BLACK CULTURAL PRODUCTION, AND THE DEBATE OVER AFRICAN-AMERICAN REPARATIONS (2006).

156 *See* Joost Pauwelyn, *Enforcement and Countermeasures in the WTO: Rules are Rules- Towards a More Collective Approach*, 94 AM. J. INT'L L. 335-47 (2000).

results.[157] The international collectives' efforts birthed the early IP treaties, for example, the Berne Convention in 1886, and contemporary treaties like the Beijing Audio-visual Treaty.[158]

F. Nollywood Inalienable Rights in Creativity: [A] *Reflections from Nollywood Industry*

The underlying objective of the Nigerian copyright law to commoditize and monetize creativity of an author with financial rewards is embedded in the current Section 13 of the Nigerian copyright law:[159]

> Notwithstanding any assignment or sale of the original works, the authors of graphic works, three-dimensional works and manuscript shall have an inalienable right to a share in the proceeds of any sale of that work or manuscript by public auction or through a dealer whatever the method used by the latter to carry out the operation.[160]

A graphic work includes any painting, drawing diagram, map, engraving, etching, lithograph, and wood cut print.[161] The definition of a graphic work is non-exclusive, as it may include a variety of creations, as long as it is fixed in a tangible form of expression.[162] The manuscript of a screenplay may be in longhand or mechanically typed. The manuscript forms the original creative themes that actors would interpret to produce a film for public entertainment.[163]

The Nigerian copyright law grants an inalienable property right to an author in the proceeds of sale of an original copy of a manuscript of a screenplay or the graphic works in a film production.[164] This is a *droit de suite* type of right,[165] one of the instances where the Nigerian law emphasizes the economic benefits for creators. Although the law does not directly grant an inalienable right as to the use of screenplay to make films, but an inalienable right to the proceeds of sale or transfer of the screenplay.[166] This paper suggests that the proposed Nigerian copyright law clarifies the scope of rights in manuscripts and screenplays to protect proper

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157 *Id.*

158 *See generally* 1 PETER K. YU, INTELLECTUAL PROPERTY AND INFORMATION WEALTH: ISSUES AND PRACTICES IN THE DIGITAL AGE (Peter K. Yu ed., 2007).

159 Copyright Act (2004) Cap. (28), § 13(Nigeria).

160 *Id.* § 13(1).

161 *See* CHARLOTTE WAELDE, CONTEMPORARY INTELLECTUAL PROPERTY LAW AND POLICY 71-73 (2013).

162 *See* Edgar Breitenbach, *Graphic Arts*, 9 ACHIVES AM. ART J. 1-11 (1971).

163 *See* William Miller, *The Matter of Screenplay Structure*, 37 J. FILM & VIDEO 35-42 (1984).

164 Copyright Act (2004), Cap. (28) § 13 (1) (Nigeria).

165 *See* Emily Eschenbach Barker, *The California Resale Royalty Act: Droit de (Not So) Suite*, 38 HASTINGS CONST. L.Q.387 (2011).

166 Copyright Act (2004), Cap (28) § 13 (Nigeria).

authorship. Although the law does not associate filmmaking with 'dealers' or 'public auction,' the sale of original manuscripts of classic movies may generate high economic interest that requires the use of public auction or dealers. [167] The Nigerian Copyright Act excludes only architectural works and applied arts from the protection of the law.[168] Therefore, films and other creative works not excluded come under the scope of this law. The Nigerian copyright system grants a copyrighted creation with property-like rights.[169] It rewards creators with fence-like exclusive derivative rights and creates alternative revenue streams for an author.[170]

In Nollywood, manuscripts and graphic works form a major part of a film production. The Nigerian copyright law protects an original physical manuscript of a movies and controls or regulates the derivative rights of secondary and multiple creations.[171] Nigerian copyright law provides for derivative rights from originally protected works, although in the film industry, value added scales are unclear. The NCC should set guidelines on how original copyright owners and derivative right holders may monetize their creativity. For instance, where a screenwriter puts a conceptualized storyline in a formal screenplay, which copyright protects the law should clearly guide the Nigerian film industry on the rights of an original copyright owner.[172] Most filmmakers in Nollywood depend on graphic works in the pre-production and post production stages to give a movie an effective aesthetic feel.[173] It is noteworthy that copyright law protects Nollywood's bundle of rights.

The screenplay could become a book, a comic work, animations, and other forms of creation. Most Nollywood scholars regard *Living in Bondage* as a classic Nollywood creation.[174] The manuscript of its original screenplay may be worth thousands of dollars and be preserved for historical purposes. The copyright owner of *Living in Bondage* would continue

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167 *See* Copyright Act (2004) Cap. (28), § 13 (4) (Nigeria); *See also* The Guardian, *Bob Dylan's Like A Rolling Stone Manuscript Sells for Over $2M.* available at https://www.theguardian.com/music/2014/jun/24/bob-dylans-like-a-rolling-stone-manuscript-sells-auction

168 *See* Copyright Act (2004) Cap. (28), § 13 (Nigeria).

169 *Id.*

170 *Id.* §§ 13 (1-3).

171 *See* Copyright Act (2004) Cap. (28), § 6(1) (a) (v) (Nigeria).

172 *Id.* § 13(1) (a).

173 *See* Olushola Adenugba, *Aesthetics in the Nigerian Film Industry : A Study of the Directorial Styles and Concepts of Amaka Igwe-Isaac, Muyiwa Ademola and Tunde Kelani*, FilminNigeria (July 25, 2007), http://filminnaija.blogspot.com/2007/07/aesthetics-in-nigerian-film-industrya.html.

174 *See* Obiajulu Emejulu et.al, *Living in Bondage: A Dream Differed or a Promise Betrayed for Igbo Linguistic and Cultural Renaissance?*, 5 Int'l J. Eng. Lit. 275-81 (2014).

to benefit economically more than twenty years after he produced the film.

Afrollywood creative industries, including Nollywood, could lift their films from a pedestrian phase of cultural expressions to a sophisticated and luxurious product by taking advantage of the digital copyright regime.[175] The French perfume industry in the nineteenth century, through the aid of its political and legal system, upgraded its creations from a low-level product to a luxurious brand with higher economic value.[176] Digital copyright may similarly stimulate the creative forces in African indigenous creativity if effectively monetized.[177]

In the United States, the objectives of its copyright laws are set out in the IP clause of the constitution.[178] These objectives include encouraging and granting the public access to innovation.[179] The Nigerian constitution does not have an IP clause or constitutional provisions that set out such an objective. However, it encourages creativity and access to creative enterprises.[180] In the case of the creative industries, the Nigerian copyright law and government policy documents seek the economic growth of the industry.[181]

I interviewed a dozen Nigerians who are involved with the Nollywood industry directly either as filmmakers, actors, culture journalists or government regulators during a recent trip to Nigeria.[182] Prior to my African trip, I had online conversations with Nigerian filmmakers on copyright issues.[183] The interviewees included Nollywood filmmakers, critics, and regulators of copyright in Nigeria. Among them was Michael Akpan, the director of regulatory affairs in the NCC and a former member of the National Film Censors Board, Censorship and Classification Preview Committee (1995–97),[184] John Asein, a former director in the NCC and a foremost Nigerian copyright scholar,[185] Francis Duru, who is a Nollywood veteran producer and actor who has been involved with the industry for

175 *See* Eugénie Briot, *From Industry to Luxury: French Perfume in the Nineteenth Century*, 85 Bus. Hist. Rev. 273-97 (2011).
176 *Id.*
177 Handke, *supra* note 98.
178 U.S. Const., art.1, sec 8, cl.8.
179 *See* Jessica Litman, *Lawful Personal Use*, 85 Texas L. Rev. 1871, 1879-82 (2007).
180 Copyright Act (2004) Cap. (28), § 6 (Nigeria).
181 *Id.* § 6 (c).
182 The copy of my transcribed interviews and questionnaire with Nigerian film industry stakeholders, which included government regulators, filmmakers, culture journalist and copyright lawyers between 2016-2017 is available through the authors'file.
183 *Id.*
184 *Id.*
185 *See generally* John Asein, Nigerian Copyright law and Practice (2012).

over two decades.[186] Duru also analyzed the landscape of distribution of Nollywood content in the era of digital technology.[187]

Lilian Amah, a Nollywood filmmaker, explained the role of folklore in her creative works and her perspective on the role of Nigerian copyright law on Nollywood. Ralph Nwadike, the president of Association of Movie Producers of Nigeria, gave his perspective of the role of the Nigerian copyright regime on Nollywood industry. Agility Onwurah and Kester Oshiorcame, both Nollywood, reflected on piracy issues in the Nollywood industry. Shaibu Hussien, a journalist and culture critic for more than two decades, also gave his perspective on piracy in Nollywood.

1. On the Piracy Problem

Francis Duru described piracy as "Nollywood's number one enemy" and claims that infringers erase the commercial successes of Nollywood filmmakers.[188] Duru stated that the ineffective Nigerian copyright law, coupled with its weak enforcement, encourages piracy.[189] However, Michael Akpan, a copyright regulator with the NCC, holds contrary views while accepting the position that piracy is a negative factor in Nollywood.[190] Akpan noted that the Nigerian copyright laws in the books provide for "strong rights for Nollywood works."[191] Akpan supported his position with reference to the relevant provisions of the Nigerian Copyright Act that protect cinematographic works.[192] John Asien, a former copyright regulator and presently a copyright author and scholar, agreed with Michael Akpan's assertion.[193]

A majority of the interviewees stated that the Nigerian legal system is weak in enforcing Nollywood copyrights. Shaibu Hussein said:

> I do not think a lot of people engage attorneys here to handle copyright issues they consider it a sheer waste of time and resources because of the long time it takes to sort out the matter in court and the miserable compensation that may come out of the case at the end of the day.[194]

Shaibu and other respondents suggested self-help by Nollywood filmmakers to protect their creations.[195] Such may include organizing group

186 Francis Duru acted in the second blockbuster Nollywood movie, *Rattlesnake* in 1996 produced by the late Amaka Igwe, one of Nollywood's female trailblazer.
187 Transcripts available through author of this paper.
188 *Id.*
189 *Id.*
190 *See* note 176.
191 *Id.*
192 *Id.*
193 *Id.*
194 My interview with Shaibu Hussein, a prominent Nigerian Culture Journalist. Copy of transcript in file with the author of this paper.
195 *Id.*

action or class action to seek redress in court and conduct seizures of pirated works.[196] The legality of conducting private searches and seizure is doubtful, however, because the Nigerian police is exclusively empowered to conduct such actions.[197] Further, there is the concern that law and order may break down if the entrenched film pirates' interests resist such seizures by Nollywood filmmakers in their private capacity.

Kester Oshioreame referred to the Nollywood movies, *October 1* and *Half of a Yellow Sun* that sold on the streets of Lagos before the official release of these movies.[198] Francis Duru asserted that Nollywood has formed professional bodies, like the Directors' Guild of Nigeria (DGN) and the Actors Guild of Nigeria (AGN) with goals, which include lobbying the Nigerian government to enforce copyright in the film industry.[199]

Ralph Nwadike claimed that film pirates have illegally duplicated "his personal works," and what he called "our collective works,"[200] when referring to creative works of other Nigerian filmmakers.[201] Nwadike stated that he has undertaken personal initiatives through various guilds and associations in Nollywood to tackle piracy. [202] Agility Onwurah's position is that there is "no strong law back up in Nigeria" to address piracy in Nollywood.[203]

2. *Policy & Creative Rights Enforcement*

On the issue of enforcing Nollywood copyright, a majority of the respondents said that the penalties or damages for infringing copyright in Nigeria are inadequate.[204] Lilian Amah said that "penalties are ridiculous leading to people offending serially." Kester Oshioreame said that "a minimum jail term" is a proper deterrence for Nollywood pirates.[205] Shaibu Hussein stated that the current method of using the Nigerian police to enforce copyright is inadequate, as "corruption and technical incapacity"

196 *Id.*
197 Copyright Act (2004) Cap. (28), § 38(5) (Nigeria).
198 *See* Funsho Arogundade, *My Battle with Pirates-Kunle Afolayan*, PM News (Apr. 21, 2015), https://www.pmnewsnigeria.com/2015/04/21/my-battle-with-pirates-kunle-afolayan.
199 Transcription of my conversation and interview with subjects in file and available through the author.
200 *Id.*
201 *See* the copy of the transcribed interviews and questionnaire is available through the author.
202 *Id.*
203 *Id.*
204 *Id.* All fourteen Nollywood stakeholders I spoke with held the opinion that the current Nigerian copyright regime is acutely inadequate. However, two of my interviewees acknowledged that the law needs reforms even though they are robust.
205 Transcript available through the author.

of the police in copyright issues limits their effectiveness.[206] Shaibu Hussein advocated the establishment of "anti-piracy squad" and stiffer punishment for pirates as deterrence measure.[207]

3. Regulatory Intervention

Michael Akpan, director of regulatory affairs at the NCC, acknowledged the limited effect of NCC anti-piracy raids on online piracy, but he maintained that anti-piracy raids are relevant for the Nigerian economy, because "the consumption pattern for creative works still reflect a large patronage of physical copies of pirated works."[208] Akpan expressed the position that anti-piracy raids may be useful in "confiscating the contrivances used in such small-scale operations in order to discourage their operation."[209]

The commonality on the issue of piracy shows a widespread point of view that Nigerian copyright laws as written and in their implementation are abysmal. Yet the regulators also conclude that the copyright enforcement efforts of the Nigerian government have yielded results in curbing piracy. Although the actual data of revenue loss for filmmakers in Nigeria is difficult to find because of data collection incapacities in the industry, despite what the regulators state, the scourge of piracy in Nollywood is real.[210]

II. RECONCEPTUALIZING NIGERIAN COPYRIGHT LAW

The NCC recently concluded drafting an amendment to Nigeria's current copyright laws and ratification of Internet treaties.[211] The proposed copyright bill is in the Nigerian National Assembly and undergoing parliamentary processes.[212] However, like most legislation that is interrelated with international trade and economics, the Nigerian policymakers show ambivalence or lethargic political interest to change existing laws.[213] Nigeria has failed to domesticate most of its international trade and intellec-

206 *Id.*
207 *Id.*
208 *Id.*
209 *Id.*
210 Tade, *supra* note 70; *see* Mairi Mackay, *Nollywood Loses Half of Film Profits to Piracy, Says Producer*, CNN (June 26, 2009), http://www.cnn.com/2009/SHOWBIZ/Movies/06/24/nollywood.piracy.
211 *See* Amos Abutu, *Nigerian Copyright Commission: Copyright Treaties Ratification Will Advance the Nigerian Film Industry*, NCC (December 6, 2017), http://www.copyright.gov.ng/index.php/news-events/item/416-copyright-treaties-ratification-will-advance-the-nigerian-film-industry-ncc.
212 *Id.*
213 *Id.*

tual property treaties more than thirty years after the treaties' executions.[214]

Although the World Wide Web is more than three decades old, Nigeria has yet to enact a single provision of copyright law to address issues such as peer-to-peer file sharing, the licensing of online content, and the widespread sharing of content on social networks.[215] It is difficult to imagine how an outdated Nigerian copyright law can function in this age of information technology. Specifically, with the rise of digital and big data, Nigeria's copyright law needs to focus on transmission and access to creative contents on non-traditional platforms and cultural spaces.[216]

The Nigerian creative industries like Nollywood encounter novel digital copyright issues because they work in industries without laws designed for digital ecosystems.[217] These include Naijacomedy (comedy),[218] fashion design, animation, fine arts, celebrity branding, modeling, and literary publishing houses.[219] Specific issues on which the African creative industries need to focus y include: What laws control the access, transmission, distribution, license, and/or assignment of a copyrighted creation in the light of hybrid legal issues that may arise in the transactional digital economy?[220] How do online service providers obtain immunity from claims of secondary copyright infringement for materials posted by third parties' digital sites? How has the Internet changed the concept of fair use or fair dealing? How does the Internet change the contours of copyright law? How can copyright owners exercise their right to take down infringing content and whether copyright holders must consider fair use or fair dealing prior to making a takedown request? These are just a few of the Internet related copyright issues that Nigerian legislators must address to bring the country's copyright laws up to date.

Nigeria's creative community has been vocal in its support for a reformed copyright law. Content creators call for a better copyright enforce-

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214 *Id.*

215 *See* Arewa, *supra* note 92.

216 *See* Towse, *supra* note 68.

217 *Id.*

218 This author coined the Nigerian comedy industry, a derivative from the mainstream Nollywood as Naijacomedy. (The author first used the term Naijacomedy in his SJD dissertation submitted to Suffolk University Law School, Boston, MA Apr. 2018.)

219 Walter A. Friedman & Geoffrey Jones, *supra* note 9; *see also* Paul M. Hirsch, *Processing Fads and Fashions: An Organization-Set Analysis of Cultural Industry Systems*, 77 AM. J. SOC. 639-59 (1972).

220 *See* Pamela Samuelson, *Intellectual Property and Contract Law for the Information Age: Forward to a Symposium*, 86 CAL. L. REV. 1 (1999); *see also* Lorelei Ritchie, *Reconciling Contract Doctrine with Intellectual Property Law: An Interdisciplinary Solution*, 25 SANTA CLARA HIGH TECH. L.J. 105 (2008).

ment mechanism to solve the endemic problem of digital piracy.[221] The NCC's proposed amendment to update the copyright law undertakes a comprehensive overhaul for the first time since Nigeria's independence.[222] Nigeria adopted its copyright law from its British colonial heritage.[223]

The legal reform will fundamentally change Nigeria's copyright regime with the introduction of digital copyright rules.[224] The hope is that this will be more effective than previous attempts, as during military rule, the undemocratic oligarchs of self-appointed military and non-military political leadership enacted interventionist Decrees that had little effect in addressing the fundamentals of creativity and rights enforcement.[225]

A. Fair Dealing in Fair Use?

The current Nigerian copyright law has yet to recognize the doctrine of fair use. The U.S. has codified the fair use doctrine as a defense to copyright infringement.[226] Fair use allows derivative innovations and innovative uses from existing works for public good.[227] Many legal regimes create affirmative defenses and exceptions within their laws to improve the negative or extreme impact of copyright.[228]

Most European Union countries, Canada, and some civil law jurisdictions have adopted the fair dealing doctrine as a functional equivalent to the fair use doctrine.[229] The Nigerian law should harmonize its fair dealing doctrine with the fair use doctrine.[230] Incorporating fair use into the Nigerian copyright law is necessary to protect the public interest.[231] The overriding rationale of copyright in many legal systems is not primarily to serve an individual copyright holder, rather, it is to serve the public at large.[232]

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221 *See* Esther Awoniyi, *Nigeria's Creative Industry Can Boost Economic Growth*, THE GUARDIAN (Mar. 2017), https://guardian.ng/business-services/business-roundup/nigerias-creative-industry-can-boost-economic-growth/

222 Asien, *supra* note 179.

223 *Id.*

224 *See generally* JESSICA LITMAN, DIGITAL COPYRIGHT (2006).

225 Asein, *supra* note 179.

226 17 U.S.C. § 107 (2012).

227 *Id.*

228 Samuelson, *supra* note 214.

229 *See* Jonathan Griffiths, *Fair Dealing in Law of Copyright*, 8 NOTTINGHAM L.J. 54 (1999).

230 *See* Draft Copyright Bill (2015) §§ 20-23 (Nigeria); *see also* Daniel Gervais, Fair Use, *Fair Dealing, Fair Principles: Efforts to Conceptualize Exceptions and Limitations to Copyright*, 57 J. COPYRIGHT SOC'Y 499 (2009).

231 *Campbell*, 510 U.S. 578 n.10.

232 *Feist*, 499 U.S. at 349.

1. The Essentials of Fair Use

If a U.S. copyright owner proves a prima facie case of direct infringement, the defendant may avoid liability if he or she can prove fair use or other affirmative copyright defenses.[233] Under U.S. copyright law, fair use is a statutory exception that allows certain use of a copyrighted work without needing permission of the owner.[234] The U.S. Copyright Act § 107 states that:

> The fair use of a copyrighted work, including such use by reproduction in copies for purposes such as criticism, comment, news reporting, teaching, scholarship, or research, is not an infringement of copyright.[235]

Nollywood and Afrollywood copyright holders and users need clarity on the scope of protected rights for creative development.[236] The fair use doctrine has enabled public access to innovations despite the monopolistic restraints of copyright.[237] Thus, the fair use doctrine tempers the harsh realities of a monetized copyright ecosystem.[238]

2. Nigeria's Fair Dealing Doctrine

The Nigerian copyright fair dealing doctrine shares some common ground with the fair use doctrine in that it also seeks to balance a copyright owner's rights with the public interest for good.[239] The draft Nigerian amendment has introduced a hybrid that combines features of fair use and fair dealing into the Nigerian copyright regime.[240] The proposed reform to Nigeria's copyright law creates copyright exemptions, such as fair dealing, while its substantive provisions adopt the fair use doctrine.[241] The drafters of the Nigerian copyright amendment couched the copyright exceptions in a fair use context similar in a large part to that of the United States copyright law.[242] The updated copyright law should adopt a single doctrinal exemption and not the confusing hybrid.

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233 Playboy Enters., Inc. v. Frena, 839 F. Supp. 1552 (M.D. Fla. 1993).
234 17 U.S.C. § 107 (2012).
235 *Id.*
236 *See* Edwin Mansfield, *Technology Transfer on Joint Venture Projects in Developing Countries*, 19 INT'L. J. TECH. MGMT. 3 (2000).
237 *See* Niva Elkin-Koren, *The New Frontiers of Users Rights*, 32 AM. U. INT'L L. REV. 1 (2016).
238 *See* Clark D. Asay, *Copyright's Technological Interdependencies*, 18 STAN. TECH. L. REV. 189, 219-22 (2015).
239 *See* Geoff McLay, *Being Fair to Users: The Welcome Arrival of a New, More Liberal Approach to Fair Dealing*, 2 N.Z. INTELL. PROP. J. 135 (1999).
240 Draft Copyright Bill (2015) §§ 20-23 (Nigeria).
241 *Id.*
242 17 U.S.C. § 107 (2012); *Campbell*, 510 U.S. 569.

3. Is Fair Use the Way for Nollywood & Afrollywood?

Traditionally, fair dealing provisions are restrictive and narrowly applied in form.[243] In the U.S., the flexibility of fair use has enabled courts to adapt copyright law to changing creative technologies.[244] In Europe, scholars have described fair dealing to be rigid and targeted in its application.[245] Legal scholars and European courts have analyzed fair dealing mostly through the lens of the remunerated class of an applicable law.[246] In Africa, most copyright regimes adopt fair dealing doctrine.[247]

The U.S. courts have tapped into the flexibility of the fair use doctrine to expand the space for creative innovation while protecting copyright ownership.[248] The Nigerian copyright law should follow this example, adopt the balancing tests of fair use, and abandon the indeterminate fair dealing doctrine.

4. The Soothing Balm of Fair Use

Fair use mediates the interests of the public with those of copyright owners.[249] Most legal scholars contend that anti-circumvention laws, such as the DMCA, constrain fair use and have the potential to chill innovation.[250] However, U.S. courts have held that the DMCA has not eliminated or impaired fair use rights.[251] Under United States law, copyright protection seeks to promote the progress of science and useful arts.[252] It enables creators to serve the cause of promoting broad public availability of literature, music, and other innovations.[253]

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243 *See* ROBERT BURRELL & ALLISON COLEMAN, COPYRIGHT EXCEPTIONS: DIGITAL IMPACT 249 (2005).

244 *See* Graeme Austin, *Four Questions About the Australian Approach to Fair Dealing Defenses to Copyright Infringement*, 57 COPYRIGHT SOC'Y 611 (2010).

245 *See* Michael Handler et al., *"A Real Pea Souper": The Panel Case and the Development of the Fair Dealing Defenses to Copyright Infringement in Australia*, 27 MELB. U. L. REV. 381 (2003).

246 *Id.*

247 *See* Pamela Samuelson, *Unbundling Fair Uses*, 77 FORDHAM L. REV. 2537 (2009); *see also* Sean Flynn, *Why Fears About Fair Use Copyright Law Are Unfounded*, BUSINESSDAY (Aug.4, 2017), https://www.businesslive.co.za/bd/opinion/2017-08-04-fears-of-fair-use-law-being-used-to-rip-off-rights-holders-are-unfounded; *see, e.g.*, *Panels Present Importance of Fair Use in South Africa's Draft Copyright Amendment*, INFOJUSTICE.ORG (Jan. 17, 2017), http://infojustice.org/archives/37620.

248 *See* Pamela Samuelson, *Possible Futures of Fair Use*, 90 WASH. L. REV. 815 (2015).

249 *Id.*

250 *See* Niva Elkin-Koren, *Fair Use by Design*, 64 UCLA L. REV. 1082 (2017).

251 United States v. Elcom, Ltd., 203 F. Supp. 2d 1111, 1129 (N.D. Cal. 2002).

252 U.S. CONST. art.1., § 8, cl. 8.

253 *See* Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (1975).

The fair use doctrine balances the public interest of access to information, and innovation, with preventing excessive harm to the economic interest of copyright holders.[254] African copyright laws need to adapt to the evolving information and digital technologies to spur creativity for societal good.[255] Therefore, the Nigerian copyright goals should include the creation of legal infrastructures and capacities to respond rapidly to technological changes in the economy.

B. Technical Protection & Anti-Trafficking Rules

Nigeria needs the equivalent of the DMCA to protect its film industry with new rights and remedies against devices designed to illegally decrypt the contents of DVDs.[256] Afrollywood still relies primarily on DVDs as its mode of distribution of contents.[257] The proposed Nigerian amendment contemplates that future copyright enforcement will occur within the digital platforms rather than in illicit stalls beside roadways and crowded Lagos marketplaces.[258] Assuming that law enforcement succeeds in shutting down the market stalls of illegal Nollywood films, the next frontier for infringement will be Internet-related distribution, which needs effective legal-technological protection measures.

1. The U.S. Anti-Trafficking Provisions

The DMCA's anti-trafficking provisions cover those who traffic, manufacture, import, offer to the public, or provide any technology, product, services, device, component, or part thereof that can circumvent "a technological measure" that effectively controls access to a copyrighted work.[259] The DMCA protects exclusive rights of an author from illegal

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254 *See* Samuelson, *supra* note 248.

255 *Id.*

256 *See* Ian R. Kerr et al., *Technical Protection Measures: Tilting at Copyright's Windmill*, 34 OTTAWA L. REV. 7 (2002).

257 *See* Prince Ofori-Atta, *African Film Industry's New Lease of Life in Distribution* (Oct. 1, 2011), THE AFRICA REPORT, http://www.theafricareport.com/News-Analysis/african-film-industrys-new-lease-of-life-in-distribution.html; *see also* Jake Bright, *Meet "Nollywood": The Second Largest Movie Industry in the World*, FORTUNE (June 24, 2015), http://fortune.com/2015/06/24/nollywood-movie-industry; *see, e.g.*, Michael Chima Ekenyerengozi, *Active Film Distribution Companies in Nigeria and the Vicious Circle of Movie Piracy*, INDIEWIRE (July 31, 2015), http://www.indiewire.com/2015/07/active-film-distribution-companies-in-nigeria-and-the-vicious-circle-of-movie-piracy-235066.

258 *See* Draft Copyright Bill 2015, Cover Statement from the Nigeria Copyright Commission. http://graduatedresponse.org/new/wp-content/uploads/2016/02/DRAFT_COPYRIGHT_BILL_NOVEMBER-_2015.pdf.

259 17 U.S.C. § 1201(E)(2)(A) (2012) ("To circumvent a technological measure" means to descramble a scrambled work, to decrypt an encrypted work, or other-

invasion as embodied in Section 106 of the U.S. Copyright Act.[260] A "Prohibited Device" is one that:

> (1) is primarily designed for circumvention;
> (2) has limited uses for legitimate commercial purposes (other than circumvention); or
> (3) is marketed for use in circumventing copyright protection.[261]

The U.S. copyright law exerts criminal sanctions of up to five years imprisonment for a defendant's first offense in manufacturing, importing, offering to the public, or trafficking in such a device, technology, product, or services.[262] In *United States v. Reichert*,[263] the Sixth Circuit held that the defendant, who ran a commercial video game console modification business for a fee, bypassed the device's technological protection measures (TPM) and was aware that his act was illegal.[264] The court held that the defendant was criminally liable for trafficking in devices used to circumvent TPM.[265] The proposed Nigerian copyright reform bill supports criminal penalties not exceeding three years and/or a monetary fine.[266]

The Internet has spawned a copyright infringement ecosystem with "one-click hosters or "cyberlockers", such as Rapidshare, Megaupload, Mediafire, and Hotfile.[267] The U.S. courts have stretched copyright law in a "series of cases and statutes that enshrine the idea of property interests in cyberspace."[268] U.S. copyright law has accommodated the world of digital distribution and peer-to-peer sharing.[269] The legal standards for the definition and protection of the virtual world are the same as those of the

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wise to avoid, bypass, remove, deactivate, or impair a technological measure, without the authority of the copyright owner.").

260 *Id.* § 1201(b)(1).

261 *Id.* § 1201(a)(2).

262 *Id.*

263 747 F.3d 445, 448 (6th Cir. 2014).

264 *Id.*

265 *Id.*

266 Draft Copyright Bill (2015) § 46(4) (Nigeria).

267 *See* Tobias Lauinger et al., Clickonomics: Determining the Effect of Anti-Piracy Measures for One-Click Hosting (2013), https://seclab.ccs.neu.edu/static/publications/ndss2013clickonomics.pdf; *see also* Nick Marx, *Storage Wars: Clouds, Cyberlockers, and Media Piracy in the Digital Economy*, 3 J. E-MEDIA STUD.1 (2013), https://journals.dartmouth.edu/cgi-bin/WebObjects/Journals.woa/xmlpage/4/article/426.

268 Dan Hunter, *Cyberspace as Place and the Tragedy of the Digital Anticommons*, 91 CAL. L. REV. 439, 443 (2003).

269 *See* Pamela Samuelson, Toward a "New Deal" for Copyright in an Information Age, https://scholarship.law.berkeley.edu/cgi/viewcontent.cgi?article=3347&context=facpubs

physical world.[270] The DMCA responded to powerful lobbying of the entertainment and technology industries.[271]

2. *Nigeria's Anti-Trafficking Devices*

The draft Nigerian copyright bill proposes two anti-trafficking provisions to deprive copyright infringers from a secondary market for devices that may infringe the rights of filmmakers.[272] The first anti-trafficking provision prohibits trafficking in instruments or equipment intended to remove or alter anti-piracy notification marks.[273] The anti-piracy devices are identification marks embedded in copyrighted works to notify the public of the authorial legitimacy of the works.[274] They are not digital watermarks, but "marks," "designs," "labels," and "impressions," which may not protect creations effectively.[275] Therefore, the 'anti-trafficking devices' law seems redundant in a predominantly digital economy.

The Nigerian anti-piracy trafficking device law emphasizes the prohibition of illegal duplication of physical copies of copyrighted works but does not address illicit copies made within the cyberspace digital distribution channels.[276] The second anti-trafficking provision prohibits trafficking in anti-circumvention devices.[277] The Nigerian anti-circumvention device trafficking provision is parallel with the DMCA-style provision.[278]

The Nigerian proposed anticircumvention laws recognize similar enhancement of copyright protection with technological measures to the U.S. Copyright Act.[279] Trafficking and dealing in devices that circumvent TMPs used by copyright owners results in criminal and civil liability.[280] However, the difference between the U.S. and Nigerian anticircumvention jurisprudence is that fair use or fair dealing is a material defense for unauthorized circumvention of TPMs in works protected under Nigerian

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270 *See* Peter Albert, Jr. & Rita Abbati, *Using and Protecting Copyrighted Works on the Internet*, *in* G. PETER ALBERT, JR., INTELLECTUAL PROPERTY LAW IN CYBERSPACE 127 (2d ed.2011).

271 Samuelson, *supra* note 263.

272 Draft Copyright Bill (2015) § 43(3) (Nigeria).

273 Copyright Act Cap. 28 § 21 (2004) (Nigeria).

274 *Id.*

275 *Id*; Draft Copyright Bill (2015) § 43 (Nigeria).

276 *Id.*

277 Draft Copyright Bill (2015) § 42(2) (Nigeria).

278 17 U.S.C. §1201(a)(2)(A-C) (2012).

279 *See* Theresa M. Troupson, Yes, It's Illegal to Cheat A Paywall: Access Rights and the DMCA's Anticircumvention Provision, 90 N.Y.U. L. REV. 323 (2015); *See also* DRAFT COPYRIGHT BILL (2015), §

280 *See* Draft Copyright Bill (2015) § 44 (Nigeria).

law.[281] The Nigerian anticircumvention law is "subject to" the general exceptions of the proposed copyright law, which contains a hybrid of fair use and fair dealing rules.[282] The Nigerian anticircumvention law recognizes reverse engineering of a lawfully obtained copy of a protected work as a material defense.[283] In the U.S., fair use is not a clear and affirmative defense for the circumvention of TPMs.[284]

C. *Immunities & Safe Harbors for Creativity*

1. U.S. Safe Harbors Rule

The U.S. law for example, grants Internet Service Providers (ISPs) safe harbor from secondary copyright infringement liability as long as these providers comply with the terms specified by DMCA.[285] Among these terms are the requirements that the website operator qualifies as a "service provider."[286] An ISP as defined by the law should reasonably implement a "repeat infringers policy and accommodate standard technical measures used by copyright owners to protect their works.[287] A safe harbor law immunizes an ISP from arbitrary copyright infringement lawsuits.

The ISP additionally needs to show a lack of knowledge of infringement and that no direct financial benefit accrued from the infringing activity.[288] Lastly, the ISP would be required to show that the DMCA takedown request processes followed statutory rules and that it adhered to designated takedown-agent rules.[289] The proposed Nigerian copyright bill does not include the designation of an agent for takedown processes as a prerequisite for safe harbor immunities.[290]

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281 *Id.* at § 44 (1) (stating that "subject to sections 20-23, no person shall circumvent a technological protection measure that effectively protects a work under this Act").

282 *Id.*

283 *Id.* at § 44 (9).

284 *See*, Ryan L. Den Elzen, *Decrypting the DMCA: Fair Use as a Defense to the Distribution of DeCSS*, 77 NOTRE DAME L. REV. 678 (2002); *see also* Timothy K. Armstrong, *Fair Circumvention*, 74 BROOK L. REV. 1 (2009); *see e.g.*, Michael K. Cheng, *IPhone Jailbreaking Under the DMCA: Toward a functionalist Approach in Anti-Circumvention*, 25 BERKELEY TECH. L.J. 215 (2010).

285 Viacom Int'l, Inc. v. YouTube, Inc., 676 F.3d 19, 27 (2d Cir. 2012).

286 17 U.S.C. § 512(k)(1)(B), 512(i)(1)(A)(B) (2012).

287 *Id.*

288 *Id.*

289 *Id.* §§ 512(c)(1)(A)–(C)(2).

290 *See* Draft Copyright Bill (2015), § 47 (2) (Nigeria); *see also* Draft Copyright Bill 2015 available at http://graduatedresponse.org/new/wp-content/uploads/2016/02/DRAFT_COPYRIGHT_BILL_NOVEMBER-_2015.pdf.

2. Nigeria's Digital Safe Harbor

As with DMCA, the proposed Nigerian copyright amendment calls for both regulation of primary and secondary infringement as well as safe harbor immunities for ISPs.[291] As proposed, the bill grants ISPs immunity from third party copyright infringement.[292] A Nigerian ISP loses safe harbor protection if it has knowledge of the infringement activities, receives financial benefits from the infringing activities, and ignores takedown notice.[293]

a) The Takedown Rules

The proposed Nigerian amendment requires an ISP, upon receipt of notice of infringing works by a copyright owner or its agent, to notify the uploader of the notice of infringement expeditiously.[294] If within ten days of notifying the uploader of the contested work, he or she fails to provide a satisfactory explanation justifying keeping the work, the ISP may take down the infringing work.[295] These are material requirements for takedowns under the Nigerian law.[296] The Nigerian proposed law has similar notice provisions to those in DMCA, except that the legislative language lacks the exigency needed of the U.S. ISPs in reactivating disabled or removed material.[297] Overall, the proposed Nigerian copyright law will introduce a takedown process, like the DMCA provisions, as a form of creative right management in the Nigerian copyright regime.[298]

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291 *Id.* § 44(1) ("[N]o person shall circumvent a technological protection measure that effectively protects a work under this Act. (2) No person shall manufacture, import, sell, offer to the public, provide, or otherwise traffic in any technology, product, service, device, or part thereof, that- (a) is primarily designed or produced for the purpose of circumventing or is capable of circumventing protection afforded by a technological measure that effectively protects a work under this Act; or (b) has only limited commercially significant purpose or use other than to circumvent protection afforded by a technological measure that effectively protects a work under this Act. (3) As used in this section- (a) "circumvent a technological protection measure" means avoiding, bypassing, removing, deactivating, decrypting or otherwise impairing a technological measure; (b) a technological measure effectively protects a work under this Act if the measure in the ordinary course of its operation, prevents, restricts, or otherwise limits access to the work . . . .").

292 Draft Copyright Bill (2015) § 52 (Nigeria).

293 *Id.*

294 *Id.* § 48(1).

295 Draft Copyright Bill (2015) § 48(2).

296 *Id.* §§ 47, 48.

297 17 U.S.C. § 512(d)(3) (2012) (requiring that the online service providers must expeditiously remove infringing material upon receiving adequate notice of infringement prescribed by law).

298 Draft Copyright Bill (2015) §§ 47, 48 (Nigeria).

b) Nollywood Response to Takedown Notices

The Nigerian copyright amendment bill lacks any mechanism for judicial intervention as a safeguard to prevent arbitrary takedowns.[299] The Nigerian takedown law has not made adequate protection for fair use of uploaded content.[300] In contrast, the U.S. institutionalizes fair use in takedown and putback procedures under its DMCA regime.[301] The Nigerian law should require evidence of copyright infringement and absence of fair use from takedown applicants before removing content.[302] Non-copyright related grounds, such as subtle attempts to stifle political free speech or freedom of expression as a ploy for takedown, should result in statutory special damages as deterrence.[303]

The draft Nigerian copyright takedown law does not address the privileges afforded by the first sale doctrine.[304] Under U.S. copyright law, the first sale doctrine grants a purchaser of copyrighted work the right to sell that copy.[305] It allows a legal purchaser of a copyrighted work to encroach upon the exclusive distribution and reproduction rights of a copyright owner.[306] For example, under the proposed law, the placement of a digital advertisement- of a duly purchased copy of Nollywood DVD on the Internet may attract a takedown notice from the copyright owner of the movie.[307]

Without clarity about the scope of the rights of legitimate purchasers of content, this proposed law will be the Achilles' heel of innovation and creativity because access to creative forces suffers from potential arbitrariness of an ISP or copyright holder.[308] In the digital era, most Internet users rely on the accessibility of digital platforms to advertise personal and private sales of goods.[309] The amended Nigerian copyright bill should

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299 *Id.*

300 *Id.*

301 *See* Rebecca Tushnet, *Fair Use's Unfinished Business*, 15 CHI-KENT J. INTELL. PROP. 399 (2016).

302 *See* Lydia P. Loren, *Deterring Abuse of Copyright Takedown Regime by Taking Misrepresentation Claims Seriously*, 46 WAKE FOREST L. REV. 745 (2011).

303 *See* Andrew T. Warren, *GIF Gaffe: How Big Sports Ignored* Lenz *and Used the DMCA to Chill Free Speech on Twitter*, 27 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 103 (2016).

304 *See* Jenny Lynn, *Does the Rise of Property Rights Theory Defeat Copyright's First Sale Doctrine*, 52 SANTA CLARA L. REV. 292-372 (2012).

305 *See* Bobbs-Merrill Co. v. Strauss, 210 U.S. 339 (1908); 17 U.S.C. § 109 (2012).

306 Dan Karmel, *Off the Wall: Abandonment and the First Sale Doctrine*, 45 COLUM. J. L. & SOC. PROBS. 353, 359-60 (2012).

307 Draft Copyright Bill (2015), § 47 (Nigeria).

308 *Id.*

309 *See* Oliver Herzfeld & Marc Aaron Melzer, *Fair Use in the Age of Social Media*, FORBES (May 26, 2016), https://www.forbes.com/sites/oliverherzfeld/2016/05/26/fair-use-in-the-age-of-social-media/#5fd4f42e3300.

make digital first sale doctrine an exemption for copyright infringement. The doctrine of first sale will promote African inter-regional commerce, especially on cyberspace commercial platforms.[310]

c) Moderating Takedowns

In the U.S., the courts have used the DMCA putback procedures to moderate the excesses of takedown processes. The courts have adopted the fair use-balancing test, in which the right of the copyright holder is balanced against the content user. In *Lenz v. Universal Music Corp.*,[311] a California district court ruled that a copyright owner had to consider the fair use doctrine in formulating a good faith belief in connection with a takedown notice under the DMCA. Universal Music Corp. (Universal), the copyright holder, sent Lenz and Google a takedown notice, asserting Prince's wishes not to have his songs posted on YouTube.[312] Content industries in the U.S. and other developed countries resist putback and takedown rules, claiming that they exert undue financial burden on content industries, which in turn clog innovative space.[313] However, balancing the need for public access to innovation with the economic interests of content creators make takedown and put back rules an effective policy.[314]

In *Lenz,* the website removed the video and Lenz sent a counter-notification pursuant to the law.[315] Lenz asserted that her family video constituted fair use of the song and thus did not infringe Universal's copyrights.[316] The *Lenz* court, per Judge Tallman, held that § 512 of the U.S. copyright law "unambiguously contemplates fair use as a use authorized by law."[317]

The California court held that Universal acted in bad faith by issuing a takedown notice for a twenty-nine-second video of Lenz's eighteen-month-old child dancing to Prince's song, *Let's Go Crazy,* uploaded to

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310 *See* Sarah Reis, *Towards a "Digital Transfer Doctrine": The First Sale Doctrine in the Digital Era*, 109 Nw. U. L. Rev. 173 (2015).

311 572 F. Supp. 2d 1150 (N.D. Cal. 2008).

312 *Id.*

313 *See* Jeremy Malcolm, *Time to Rethink Copyright Safe Harbors? 2017 in Review*, Electronic Frontier Foundation (Dec. 30, 2017), https://www.eff.org/deeplinks/2017/12/time-rethink-copyright-safe-harbors-2017-review; *see also* David E. Ashley, *The Public as Creator and Infringer : Copyright Law Applied to the Creators of User Generated Video Content*, 20 Fordham Intell. Prop. Media & Ent. L.J. 563 (2010).

314 Jeremy Malcolm, *supra*, note 313.

315 *Lenz*, 572 F. Supp. 2d 1150; 17 U.S.C. § 512(g) (2012).

316 *Lenz*, 572 F. Supp. 2d 1150.

317 *Id* at 1150, 1154 (holding that copyright owners must evaluate fair use before issuing a takedown notice).

YouTube.[318] The court found Universal's failure to consider fair use sufficient grounds to state a misrepresentation claim under the DMCA.[319] The *Lenz* court sent a deterrent message to copyright owners that abuse of DMCA takedown notices without considering fair use invalidates the takedown.[320]

In the *post-Lenz* era, U.S. copyright owners risk penalties for filing takedown notices of materials protected by fair use. Afrollywood, including Nigeria, should adopt a similar policy that encourages copyright owners to weigh the negative consequences of filing takedown notices on fair use protected materials.

d) The Nigerian Putback Process

A persuasive counter notice from a subscriber denying posting infringing material may result in a putback action. [321] The Nigerian proposed bill has a putback process for repeated offenders and non-repeat offenders.[322] Where an alleged repeat offender sends a counter notice ten days after receiving the takedown notice, the service provider may put back or restore the work.[323] The same putback processes exist under the bill for non-repeated offenders.[324] The proposed reform allows the service provider to suspend the access by a repeated offender after two warnings.[325]

The proposed law grants a discretionary guidance to putback of removed works, unlike the mandatory language in § 512 of DMCA.[326] The discretionary statutory directive empowers service providers to choose winners and losers on digital platforms, which could endanger content creation and availability to the public. Nigeria should encourage ISPs with granted 'Earned Safe-Harbor' to invest in Nigeria and distribute indigenous Nigerian content without the fear of drowning lawsuits, which may deflate growth in the industry.[327]

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318 *Id.*
319 *Id.*
320 *Id.*
321 *See* Draft Copyright Bill (2015) §§ 48(3) (Nigeria).
322 *Id.* §§ 48(4), 49(1)(a-b).
323 *Id.* § 49(1)(b).
324 *Id.* § 48(4).
325 *Id.* § 49(1)(b).
326 *Id.* (stating that the service provider "may resume access or restore removed content . . . .").
327 'Earned-safe harbor' status would require that ISPs should pledge to prioritize the distribution of Nigerian indigenous created contents. The Nigerian law presently has similar provisions in the Oil and Gas Industry called "Local Content Law" where foreign oil and gas industries must assign a stipulated per cent age of investment in the industry to Nigerian indigenous contractors and skills.

The Nigerian law puts the responsibility for discouraging flagrant infringement of copyright on the Internet upon the ISP, but falls short by granting the NCC ultimate determinate powers instead of the courts.[328] Perhaps, the law presupposes that service providers have the technical capacity to find or discover infringers on their digital networks. However, for an emerging ISP industry, the financial and technical inequity present in Nollywood will overwhelm their growth, if 'policing' the Internet for infringing activities becomes an added responsibility. A takedown process that will burden the emerging Nigerian ISP industry is counterproductive to Nollywood's global distribution.

The proposed law allows a digital platform user to appeal to the NCC where he or she disagrees with the takedown decisions of an ISP.[329] The NCC's role as an arbitrator or adjudicator in a dispute on copyright is a usurpation of the functions of the Nigerian Federal High Court, which has the exclusive constitutional power to resolve copyright disputes.[330] Moreover, most Nigerian ISPs should have contractual relationships with their subscribers arising from their Terms of Use agreements addressing illegal uploads.[331] An ISP's preexisting technical strength positions it better to locate and resolve copyright infringements issues on its sites using private mediation.[332] Where copyright owners or subscribers dispute the determination of the ISPs, they should have the right to approach the courts.

The proposed Nigerian copyright law, if strengthened with goals of encouraging innovation through strategic national policies for rights enforcement, will encourage investors to collaborate with Nigerian creators.[333] Like other creative industries of Afrollywood, Nollywood needs both foreign and local investors to expand its productive base and use its competitive advantage globally.[334]

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328 *Id.* § 48(5).

329 *Id.*

330 Copyright Act (2004) § 46; CONSTITUTION OF NIGERIA (1999), § 251 (1)(f) (Nigeria); *see* Draft Copyright Bill (2015) §81 (Nigeria) (granting the federal High Courts in Nigeria exclusive jurisdiction to settle civil lawsuits and disputes in Nigeria); *see also* Chukwunweke A. Ogbuabor & Sylvester N. Anya, *Jurisdictions in Actions for Infringement of Trademarks and Passing-Off in Nigeria*, 11 NIGERIAN JURID. REV. 83-114 (2013).

331 KOENIG & RUSTAD, *supra* note 38 at 254-55.

332 *See* Dafna Lavi, *Three Is Not a Crowd: Online Mediation-Arbitration in Business to Consumer Internet Disputes*, 37 U. PA. J. INT'L L. 871 (2016); *see also* Charles P. Lickson, *The Use of Alternative Dispute Resolution in Intellectual, Technology-Related or Innovation-Based Disputes*, 55 AM. JUR. TRIALS 483 (1995) (updated May 2018).

333 *See* CHRISTIAAN DE BEUKELAER, DEVELOPING CULTURAL INDUSTRIES: LEARNING FROM THE PALIMPSEST OF PRACTICE 18, 62-67 (2014).

334 *Nigeria Needs to Attract Foreign Investment-EU*, PUNCH (Oct. 26, 2017), http://punchng.com/nigeria-needs-to-attract-foreign-investors-eu.

D. Enhanced Copyright in Creative Industries & Investors

1. Direct Investment & African Creative Industry

Nigeria's Nollywood epitomizes investors' penchant to scramble for opportunities in a vibrant emerging creative industry with deep opportunities for returns on investments.[335] As renowned Nigerian filmmaker Tunde Kelani stated in an interview with a Nollywood scholar:

> It's now fashionable for most film festivals to program Nigerian movies. It is like our soccer: it is not complete until there is Nigeria's participation. And I'm not surprised, today, that businessmen, investors are arriving in Nigeria with brief cases to study Nollywood. Because they want to have a piece of the action. They want to move in because they can see the potential in Nollywood today[336]

A strong and effective copyright system could exponentially increase Nigeria's creative participation and collaboration in the global film industry. [337] Nollywood industry with its enormous film production abilities and cultural resources is a potential investment environment.[338] Visits by foreign investors to study opportunities have not yet yielded significant dividends.[339] However, Nigeria and most African countries have begun addressing the factors inhibiting the growth of their creative industries with efforts at law reforms and policy redirection to attract global recognition.[340]

Foreign and local investors could accelerate social sector improvements by establishing new industries, creating jobs and improving the stan-

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335 Oyekunle, *supra* note 91.

336 *See* Connor Ryan, *Nollywood and the Limits of Informality: A Conversation with Tunde Kelani, Bond Emeruwa and Emem Isong*, 5 BLACK CAMERA 170 (2014).

337 Oyekunle, *supra* note 91.

338 Bright, *supra* note 294.

339 *See* Yinka Ibukun, *Nigeria Entertainment Industry Eager to Make Pirates Part of Sea Change*, THE GUARDIAN (Dec. 14, 2012), https://www.theguardian.com/global-development/poverty-matters/2012/dec/14/nigeria-entertainment-industry-pirates-sea-change; *see also Nollywood, Movie Industry Stakeholders Commends,* NIGERIAN COPYRIGHT COMMISSION (Aug. 19, 2016), http://www.copyright.gov.ng/index.php/news-events/item/350-nollywood-movie-industry-stakeholders-commends-ncc (acknowledging the appreciation of the Directors' Guild of Nigeria in recognizing NCC's anti-piracy drive as shown with the seizure of pirated copyrighted works estimated at more than $303,600,000 and creating a conducive environment for creativity to thrive, and boosting profit in investments within the Nigerian creative industries).

340 *See* Sean Flynn, *Copyright Legal and Practical Reform for the South African Film Industry*, 17 AFR. J. INFO. & COMM. 39-47 (2015), http://infojustice.org/wp-content/uploads/2016/12/Flynn-Copyright-Legal-and-Practical-Reform-for-the-South-African-Film-Industry.pdf; *see also* Nwauche, *supra* note 4.

dard of living for communities.[341] Industrial and economic considerations principally encourage foreign investors to risk high capital and invest in business ventures outside their traditional geographical locations.[342] Nigerian investment laws and policies have a significant role in attracting investors to Nollywood.[343]

Economist and trade development scholars conclude that three major sets of advantages must be present simultaneously before foreign direct investments occur.[344] John Dunning, a foreign direct investment specialist, lays out three criteria that businesses consider before making a foreign investment decision: (a) ownership, (b) location, and (c) internalization (OLI). The analysis of the ownership criterion focuses on the real property and intellectual property regimes in the country of investment.[345]

The location criteria suits Nollywood because Nigeria has great resources for film production.[346] The internalization criteria include the ability for the host community to offer a business-friendly environment.[347] Nigeria's tax discounts and rebates for importation of investors' machinery could offer a conducive business environment.[348] The ability to protect tangible and intangible property rights in the host investment country is a strong incentive for corporations or individual investors in a foreign economy.[349]

Based on Dunning OLI's criteria, a corporation is most likely to invest in a country with a strong copyright regime than in a weak legal system.[350] Applying Dunning's OLI criteria to Nollywood, the current investment climate does not protect a foreign investor in the film industry.[351] The reason is widespread piracy and lax copyright enforcement.[352]

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341 *See* Nagesh Kumar, *Intellectual Property Rights, Technology and Economic Development: Experiences of Asian Countries*, 38 ECON. & POL. WKLY. 209-15, 217-26 (2003).

342 *See* Andrew Summer, *Foreign Direct Investment in Developing Countries: Have We Reached a Policy "Tipping Point"?*, 29 THIRD WORLD Q. 239-53 (2008).

343 NIGERIAN COPYRIGHT COMMISSION, *supra* note 327.

344 *See* JOHN DUNNING, MULTINATIONAL ENTERPRISES IN THE GLOBAL ECONOMY (1993).

345 *Id.*

346 Haynes, *supra* note 46.

347 Dunning, *supra* note 337.

348 Summer, *supra* note 326.

349 *Id.*

350 *Id.*

351 *See* Jeong-Yeon Lee et al., *Intellectual Property Protection and U.S. Foreign Direct Investment*, 78 REV. ECON. & STAT. 181,185 (1996); *see also* EDWIN MANSFIELD, INTELLECTUAL PROPERTY PROTECTION, DIRECT INVESTMENT, AND TECHNOLOGY TRANSFER 5 (International Finance Corporation Discussion Paper No. 27) (2005) (discussing data which shows that corporations will not invest in joint ventures in countries with weaker IPRs).

IP rights and international trade have become interrelated subject matters in modern trade treaties.[353] Most trade scholars support the hypothesis of a correlation between a strong IP rights regime and foreign direct investments.[354] African countries fall short of the strong IP regime prerequisite.[355] Weak copyright laws and rights enforcement policies will not encourage potential foreign or local investors into African creative industries.[356]

In addition, cultural prejudices in traditional societies, for example, the suspicion of foreign exploitation of cultures and entrenched traditional beliefs, are some of the factors that impede the inflow of foreign investment in the African film industry.[357] Enhanced copyright regimes and policies largely sustain the most developed film ecosystem, for example, Hollywood.[358] Some economists and legal scholars have argued the opposing position, that an enhanced copyright has little correlation with foreign investments.[359] However, the Nigerian policy tilts towards the position

352 *See* Beata Javorcik, *The Composition of Foreign Direct Investment and Protection of Intellectual Property Rights: Evidence from Transition Economies*, 48 EUROPEAN ECON. REV. 39-62 (2004) (explaining from an empirical survey how countries with good enforcement of IP rights encourages production economy within the country, while those countries with weak IP rights only rely in distribution of goods); Sean Pager, *Cultivating Capabilities for Creative Industry Upstarts*, 21 MICH. ST. INT'L. REV. 547, 555-57 (2013).

353 *See* Peter Nunnenkamp et al., *Intellectual Property Rights and Foreign Direct Investment: A Disaggregated Analysis*, 140 REV. WORLD. ECON. 393 (2004).

354 *See* Abdullah Nawafleh, *Development of Intellectual Property Laws and Foreign Direct Investment in Jordan*, 5 J. INT'L. COM. L. & TECH. 142 (2010); *see also* Carlos Braga et al., *The Relationship Between Intellectual Property Rights and Foreign Direct Investment*, 9 DUKE J. COMP. & INT'L 163; *see, e.g.*, Michael Ferrantino, *The Effect of Intellectual Property Rights on International Trade and Investment*, REV. WORLD ECONS. 129 (1993).

355 Dunning, *supra* note 328.

356 *See* Jade Miller, *Labor in Lagos: Alternative Global Networks*, *in* PRECARIOUS CREATIVITY: GLOBAL MEDIA, LOCAL LABOR 146-50 (Michael Curtin & Kevin Sanson eds., 2016).

357 Overbergh, *supra* note 88.

358 *See* ROBERT MERGES, JUSTIFYING INTELLECTUAL PROPERTY 247 (2011); *see also* Eric Priest, *Copyright Extremophiles: Do Creative Industries Thrive or Just Survive in China's High-Piracy Environment?*, 27 HARV. J. L. & TECH. 467, 513-15 (2014).

359 *See* Mark Schultz et al., *Creative Development: Helping Poor Countries by Building Creative Industries*, 97 KY. L.J. 79, 81 (2008); *see also* CARLOS CORREA, INTELLECTUAL PROPERTY RIGHTS, THE WTO AND DEVELOPING COUNTRIES: THE TRIPS AGREEMENT AND POLICY OPTIONS (2000) (describing how underdevelopment impairs capacity to enjoy benefits of technology transfer); *see, e.g.*, Ruth Gana, *Prospects for Developing Countries Under the TRIPS Agreement*, 29 VAND. J. TRANSNAT'L L. 735, 38 (1996) (contending that without the many conditions present in developed countries, it is unlikely intellectual property laws

that a strong copyright regime attracts foreign investment to the creative industries.[360]

2. *Lack of Supporting Infrastructure for Online Contents*

Professor Olufunmilayo B. Arewa contends that Nollywood commodifies and monetizes its mode of production at least in its present developmental phase.[361] However, acute piracy in the Nollywood distribution segment of its business, enabled by digital technology, calls for a foundational legal regime in Nigeria to enforce proprietary rights of film creators.[362] Professor Arewa, as with other intellectual property scholars, postulates that alternative sources of revenue such as advertisements would financially compensate filmmakers from losses associated with film piracy.[363] These scholars use the online adult entertainment websites as an example of a creative industry where a specialized business model for free content to fee-paying subscribers generates revenue from product advertisements on the back end.[364] However, Nigeria lacks efficient infrastructures that would support such a sophisticated business model for commodifying content as valuable assets, even at Nollywood's current level of creative maturity.[365]

Even Nigerian legal regimes like trademark, contracts, consumers, cyberspace regulation, publicity and advertisement laws that could augment the incapacity of intellectual property protection share similar lag issues as copyright laws.[366] Therefore, the discussions concerning adapting

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will transform developing country economies); *see generally* Marshall Leaffer, *Protecting United States Intellectual Property Abroad: Toward a New Multilateralism*, 76 Iowa L. Rev. 273, 282 (1991).

360 *See* Nigerian Copyright Commission, Introductory Notes to Draft Copyright Bill 2015, at 3 (2015), http://graduatedresponse.org/new/wp-content/uploads/2016/02/DRAFT_COPYRIGHT_BILL_NOVEMBER-_2015.pdf (stating that one of the policy objectives of Nigerian copyright is to effectively protect the rights of authors and ensure just rewards for intellectual efforts).

361 *See* Olufunmilayo B. Arewa, *Nollywood: Pirates and Nigerian Cinema*, *in* Creativity Without Law: Challenging The Assumptions of Intellectual Property 228, 235-36 (Kate Darling & Aaron Perzanowski eds., 2017).

362 *Id.* at 240-41.

363 *See* Justin Hughes, *Motion Picture, Markets and Copylocks*, 23 Geo. Mason. L. Rev. 941 (2015); *see also* Yuen Yuen Aug, China's Unusual Development Lesson for Africa: Harness, Weak, Wrong, Backward Institutions to Build Markets 13-20, https://ssrn.com/abstract=3031253; *see, e.g.*, Ana Santos Rutschman, *Weapon of Mass Construction: The Role of Intellectual Property in Nigeria's Film and Music Industries*, 29 Emory Int'l L. Rev. 673-740 (2015).

364 *See* Kate Darling, *IP Without IP: A Study of the Online Adult Entertainment Industry*, 17 Stan. Tech. L. Rev. 709 (2014).

365 Hughes, *supra* note 347.

366 *Id.*

to the attributes of the digital era creative platforms, which dilutes a copyright holders' exclusive control of distribution and reproduction rights, may still converge on a strong proprietary rights regime.[367]

3. *A Case for a Better Metric for Afrollywood Film*

Unlike Hollywood moguls who have extensive metrics to measure every aspect of the U.S. film industry, Nigeria and most of Africa have yet to develop an infrastructure to study basic factors, such as the number of viewers.[368] The inability to estimate the actual viewership of Afrollywood films chills investment in the industry.[369] For example, a Nigerian Nollywood investor, Toyin Dawodu, has expressed his concern for the investment environment in Nollywood as:

> You need basic industry data to attract investors. They look for numbers, projections, and how they will get their money back. That reliable information does not really exist for Nollywood productions. Nobody is going to put up a million dollars for a film project with that much uncertainty about return.[370]

Africa needs a continent-wide or at least regional method of assessing viewership of content online and terrestrial, much like the Nielsen rating system.[371] The rating metric helps advertisers, analytics, and potential investors evaluate which programs are workable and profitable.[372] Advertisers are not inclined to invest in programs where the viewership is unknown.[373]

In Africa, the existing regional economic communities ("REC") could become a foundational infrastructure to develop a metric system for online contents.[374] Africa has regional trade organizations, like the Economic Communities for West African States, Arab Maghreb Union ("UMA"), Common Market for Africa ("COMESA"), East African Community ("EAC"), and Economic Community of Central African States

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367 *See* Samuel "Samiai" Andrews, Reconceptualizing Nigerian Copyright Law to Protect Nollywood (2018), https://ssrn.com/abstract=3166875.

368 *See* Tunde Oguntola, *Audience Measurement Will Boost Broadcast Industry*, LEADERSHIP NEWSPAPER (Nigeria) (Aug., 23, 2017), http://leadership.ng/2017/08/23/audience-measurement-will-boost-broadcast-industry-fg.

369 *Id.*

370 Quoting Toyin Dawodu in Tunde Oguntola, *Audience Measurement Will Boost Broadcast Industry*. *Supra*, note 368.

371 *Id.*

372 Tunde Oguntola, *supra* note 368.

373 *Id.*

374 *See* Jaime De Melo, *A Fresh Look at Africa's Integration in Regional Economic Communities*, BRIDGE AFRICA (Oct. 17, 2017), https://www.ictsd.org/bridges-news/bridges-africa/news/a-fresh-look-at-africa's-integration-in-regional-economic.

("ECCAS").[375] Using the outreach of the REC, Afrollywood and African national governments should collaborate to collate data.[376] The REC platform could reduce the cost and provide technical capacity for capturing the whole of Africa.[377]

In West Africa, the Nigerian Bureau of Statistics ("NBS"), responsible for business data collation, is incapable of offering reliable figures for macro growth of the film industry.[378] NBS relies on estimates of film sales and production numbers because Nollywood mostly runs in an informal economic market.[379] Nollywood industry should engage the Nigerian Telecommunication Corporation and federal transportation agencies to upgrade the necessary infrastructures for effective online film distribution.[380] For example, Nigerian Internet bandwidth needs to upgrade for seamless and increased interconnectivity, to enable Nollywood to distribute its contents efficiently on cyberspace platforms.[381] However, the downside of increased bandwidth is the propensity for a high rate of copyright infringement, because online pirates' Internet access exponentially goes up and their production of near clean-copies of illegal works competes with legitimate online contents economically. Enhancing Internet security and a copyright protective legal regime may ameliorate this downside. The symbiosis of the public and private sectors in the strategic development of the creative industry may reduce cultural conflicts and high financial needs of setting up an efficient film infrastructure.[382]

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375 *Id.*

376 *Id.*

377 *Id.*

378 Oguntola, *supra* note 368.

379 *Id.* (reporting that according to the estimates of NBS data, there were 1844 Nollywood movies produced in 2013 for an industry value of $3.3bn at an average cost of $80,000 per production. However, ticket sales or royalties generated less than 1% of the industry's value. Nigeria's Statistician General, Yemi Kale, stressed that new figures for Nollywood's unofficial sales are approximations using many sources. He said that quantifying the Nollywood industry is quite challenging because large populations of people involved are operating informally); *see also* Ramon Lobato, *Creative Industries and Informal Economies: The Case of Nigerian Video*, 13 INT'L J. CULT. STUD. 337-54 (2010).

380 *See* Barbara Gray, *Cross-Sectoral Partners: Collaborative Alliances among Business, Government and Communities*, *in* CREATIVE COLLABORATIVE ADVANTAGE 57-79 (Chris Huxham ed., 1966).

381 *See* Catherine Jewell, *Irokotv: Delivering Nollywood Content to the World*, WIPO MAGAZINE (May 2017), http://www.wipo.int/wipo_magazine/en/2017/05/article_0002.html ; *see also* , Steve Omanufeme, *Runaway Success: Nigeria's Film Industry Is Taking off*, 53 FIN. & DEVELOP. (2016) available at http://www.imf.org/external/pubs/ft/fandd/2016/06/omanufeme.htm; Bright, *supra* note 252.

382 Bright, *supra* note 252.

III. THE CONTROVERSIAL ASPECTS OF THE PROPOSED REFORMS

A. The Anticircumvention Controversy

The legal regime that protects copyrighted works within the distribution channels of the Internet with technological measures made private investment in audiovisual creativity flourish in the United States.[383] The DMCA bolstered creators and investor confidence to increase the availability of works on the Internet and digital media.[384] It granted copyright holders an enhanced capacity to fortify their creative rights against free riders and infringers on the digital platforms.[385]

Many American scholars objected to the application of technical protection measures.[386] The objections centered mostly around digital copyright as a new and unconstitutional proprietary right.[387] The protection of Nollywood distribution channels with technical measures is likely to raise the issue of copyright overreach or overkill of creative works.

B. The DMCA Experience

The last two decades have confirmed that the DMCA has not created the parade of horrors envisioned by such critics.[388] The DMCA's provision allowing reverse engineering to achieve interoperability enables businesses to make new products for societal benefit derivable from existing

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383 *See* Maria L. Montagnani, *A New Interface Between Copyright Law and Technology: How User-Generated Content Will Shape the Future of Online Distribution*, 26 CARDOZO ARTS & ENT. L. J. 719 (2009).

384 *See* Karl Manheim, *Introduction: At the Crossroads of Law and Technology*, 25 LOY. L.A. ENT. L. REV. 1, 4 (2004).

385 *See* Stacy Baird, Contentious Issues: Copyright Reforms in the Age of Digital Technologies (2010), https://ssrn.com/abstract=1520161; *see also* Maayaan Perel (Filmar) & Niva Elkin-Koren, *Accountability in Algorithmic Copyright Enforcement*, 19 STAN. TECH. L. REV. 473 (2016).

386 *See* Glynn S. Lunney Jr, *The Death of Copyright: Digital Technology, Private Copying and the Digital Millennium Copyright Act*, 87 VA. L. REV. 813 (2001); *see also* Steve Calandrillo & Ewa Davidson, *The Dangers of the Digital Millennium Copyright Act: Much Ado About Nothing?*, 50 WM. & MARY L. REV. 349 (2008).

387 *See* Pamela Samuelson, *Intellectual Property and the Digital Economy: Why the Anti-Circumvention Regulations Need to Be Revised*, 14 BERKELEY TECH. L.J. 519, 546 (1999); *see* also Derek J. Schaffner, Note, *The Digital Millennium Copyright Act: Overextension of Copyright Protection and the Unintended Chilling Effect of Fair Use, Free Speech and Innovation*, 14 CORNELL J. L.& PUB. POL'Y145 (2004); *see, e.g., Unintended Consequences: Sixteen Years Under the DMCA*, ELECTRONIC FRONTIER FOUNDATION (Sept. 2014), https://www.eff.org/files/2014/09/16/unintendedconsequences2014.pdf.

388 Samuelson, *supra* note 371; Lunney, *supra* note 370; Schaffner *supra* note 371; ELECTRONIC FRONTIER FOUNDATION, *supra* note 371.

technologies.[389] The net effect of the DMCA includes the building of proprietary systems that enable businesses to promote successful products in the marketplace.[390]

The digital copyright monopoly incentivizes the creation of new products because the law demands that derivative work creators seek the permission of owners of proprietary rights in pre-existing mother works.[391] This allows copyright owners of those pre-existing works to monetize the permission to tie-in with their creations as a profitable business model.[392] Most times the copyright holders commoditize their exclusive rights in the form of license fees.[393]

The MPAA ties the success of the DVD industry in the United States to the effectiveness of the DMCA.[394] The prohibition of illegal copying and dissemination of DVD content enhanced by the DMCA's anti-circumvention rules, encouraged filmmakers to invest in this distribution business model.[395] The film industry has further upgraded its distribution system to include a more sophisticated online and streaming model that does not need physical or external copies.[396]

The DMCA protects the new digital or online distribution of content, such as films, music, and literary works.[397] Digital technology and copyright also enabled the emergence of driverless cars, Wi-Fi, GPS, and "the Internet of things."[398] The legal regime that regulates digital technology largely enables the network of interconnected objects beyond traditional telephony devices.[399] The DMCA influenced many U.S. businesses to produce beneficial services for the movie industry, like VOD subscription

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389 *See* Jacqueline Lipton, *The Law of unintended Consequences: The Digital Millennium Copyright Act and Interoperability*, 62 WASH. & LEE L. REV. 487 (2005).
390 *See* Bruce Schneier, *Click Here to Kill Everyone*, NEW YORK MAGAZINE (Jan.21, 2017), http://nymag.com/selectall/2017/01/the-internet-of-things-dangerous-future-bruce-schneier.html
391 *See* Lothar Determann & David Nimmer, *Software Copyright's Oracle from the Cloud*, 30 BERKELEY TECH. L. J. 161 (2015).
392 *See* Reuven Ashtar, *Licensing as Digital Rights Management, from the Advent of the Web to IPAD*, 13 YALE J. L. & TECH. 141 (2010).
393 *Id.*
394 *See id.*; 37 C.F.R. § 201.40.
395 Determann & Nimmer, *supra* note 375.
396 *See* Lauri Rechardt, *Streaming and Copyright: A Recording Industry Perspective*, WIPO MAGAZINE (May 2015), http://www.wipo.int/wipo_magazine/en/2015/02/article_0001.html; *see also* Leonid Bershidsky, *Why Netflix Is Winning the Online Piracy Wars*, BLOOMBERG (May 2, 2017), https://www.bloomberg.com/view/articles/2017-05-02/why-netflix-is-winning-the-online-piracy-wars.
397 Bershidsky, *supra* note 396.
398 *See* Anupam Chander, *How Law Made Silicon Valley*, 63 EMORY L. J. 639 (2014).
399 *See* Daniel Burrus, *The Internet of Things is Far Bigger than Anyone Realized*, WIRED, https://www.wired.com/insights/2014/11/the-internet-of-things-bigger; *see*

businesses.[400] The DMCA stimulates investment in the U.S. online content industries.[401] For example, Netflix, a successful business model, has monetized and leveraged its online viewership data, which it keeps confidential.[402]

1. A Case of Copyright Overreach?

The vast majority of copyright scholars who objected to the technical protection measures regime argued that the DMCA would result in overreaching by the copyright industries at the expense of creative innovation.[403] However, DMCA administrative oversight ameliorates potential overreach through the Copyright Office and Library of Congress triennial exemption rulemaking processes.[404] Moreover, U.S. courts have acted as gatekeepers against apparent overreach of copyright owners.[405] The United States' innovation in the digital ecosystem continues to evolve, contrary to dire predictions.[406]

The U.S. courts have upheld big tech companies' use of copyrighted works to earn enormous profits and create innovative business models.[407] However, more than a decade after its enactment, the DMCA has pro-

also Mark A. Lemley, *IP in a World Without Scarcity*, 90 N.Y.U. L. Rev. 460 (2015), http://ssrn.com/abstract=2413974.

400 *See* Joseph P. Liu, *Paracopyright: A Peculiar Right to Copyright Access*, *in* Intellectual Property At The Edge: The Contested Contours of Intellectual Property 227-253 (Rochelle C. Dreyfuss & Jane C. Ginsburg eds., 2014).

401 *See* Jane Ginsburg, *From Having Copies to Experiencing Works: The Development of an Access Right in U.S. Copyright Law*, 50 J. Copyright Soc'y 113, 115 (2003); *see generally* Wendy Seltzer, *The Imperfect is the Enemy of the Good: Anticircumvention versus Open User Innovation*, 25 Berkeley Tech. L. J. 909 (2010).

402 Bershidsky, *supra* note 396.

403 Samuelson, *supra* note 371 at 546.

404 *See* 17 U.S.C. § 1201(a)(1)(C) (2012).

405 *See* UMG Recordings, Inc. v. Shelter Capital Partners, LLC, 718 F.3d 1006 (9th Cir 2013); John Blevins, *Uncertainty as Enforcement Mechanism: The New Expansion of Secondary Copyright Liability to Internet Platforms*, 34 Cardozo L. Rev. 1821 (2013).

406 *See* Jessica Litman, *Real Copyright Reform*, 96 Iowa L. Rev.1, (2010); *see also* Pamela Samuelson, *Is Copyright Reform Possible?*, 126 Harv. L. Rev. 740, 770 (2013).

407 *See* Authors Guild v. Google, Inc., 804 F.3d 202 (2015); see also Viacom Int'l, Inc. v. YouTube Inc., 940 F. Supp. 2d 110 (2013); *see also* Daniel Kreps, *Taylor Swift, McCartney Sign Petition for Digital Copyright Reforms*, Rolling Stone (June 20, 2016), http://rollingstone.com/music/news/taylor-swift-mccartney-sign-petition-for-digital-copyright-reform-20160620.

moted innovation and lowered the cost of access to copyrighted works.[408] Nevertheless, the debate continues about the continued relevance of DMCA to the creative rights and processes, or whether it needs to be updated to reflect the current digital environment.[409]

Overall, although the DMCA has produced a mixed bag of results,. it has changed the creative industry positively. If the DMCA chilled innovation, the United States would not have produced large numbers of digital-system promoted businesses more than eighteen years after the emergence of the law.[410] Perhaps Nigeria's reform of its copyright law to accommodate digital creativity could similarly jump start private investment in Nollywood's digital businesses.

In Nigeria, the innovative space created by digital technology expands progressively; for example, the animation industry has shown a promising upsurge.[411] After Nollywood began, a comedy derivative industry, Naijacomedy, began on the similar business model of DVD distribution of content.[412] The Nigerian comedy industry, which began as an appendage of Nollywood, has become a stand-alone creative industry in its present form.[413] Like mainstream Nollywood, Naijacomedy encounters the lack of digital legal regimes to protect its online content.[414] Current Nigerian copyright law protects comedy as an artistic work.[415] However, a digital copyright regime to regulate and protect this new form of creativity is im-

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408 *See* Ruth L. Okediji, *When Copyright Law and Science Collide: Empowering Digitally Integrated Research Methods on a Global Scale*, 96 MINN. L. REV. 1162, 1417-18 (2011).

409 *See* Donald P. Harris, *Time to Reboot: DMCA 2.0*, 47 ARIZ. ST. L.J. 801 (2015).

410 *See* John Bonazzo, *New Site from "Get Out" Producer Finally Gives Hollywood Digital Security*, OBSERVER (Nov. 7, 2017), http://observer.com/2017/11/online-security-hollywood-sony-hack-esoc.

411 *See Nigeria, China to Partner for Animation Industry Development*, THE GUARDIAN (Nigeria) (Feb. 4, 2018), https://guardian.ng/art/nigeria-china-to-partner-for-animation-industry-development.

412 *See* Barclay Ayakoroma, *The Rise of Stand-Up Comedy Genre in Nigeria: From Nothing to Something in Artistic Entertainment*, NIGERIA INSTITUTE FOR CULTURAL ORIENTATION, http://www.nico.gov.ng/index.php/category-list-2/1151-the-rise-of-stand-up-comedy-genre-in-nigeria.

413 *See* Norimitsu Onishi, *Nigeria's Booming Film Industry Redefines African Life*, NEW YORK TIMES (Feb. 18, 2016), http://www.nytimes.com/2016/02/19/world/africa/with-a-boom-before-the-cameras-nigeria-redefines-african-life.html?_r=0.

414 *See* Norimitsu Onishi, *Nigeria's Comics Pull Punch Lines from Deeper Social Ills*, NEW YORK TIMES (Dec. 5, 2015), https://www.nytimes.com/2015/12/06/world/africa/nigerias-comics-pull-punch-lines-from-deeper-social-ills.html?_r=0.

415 Copyright Act (2004) Cap. (28), §§ 1(2), 6, 26 (Nigeria); *see* Justin Hughes, *Size Matters (or Should) in Copyright Law*, 74 FORDHAM L. REV.575 (2005).

portant.[416] Nigeria needs an adaptable copyright regime to protect the innovations and content of its creators, the emerging technologists, and copyright-dependent industries.[417]

The DMCA has enabled copyright owners of movies to adopt various forms of technological encryption to control unauthorized access.[418] Nigeria should adopt the progressive doctrine of the DMCA jurisprudence that encourages creativity and enhances copyright enforcement. The Nigerian digital copyright law should promote the balancing of users and creators' rights.

C. Nollywood Doctrine of Copyright Misuse

Copyright misuse is an equitable concept, which emerged from patent law, based on the defense of "unclean-hands."[419] It is a defense against an attempt to overreach the boundaries of copyright ownership.[420] The misuse doctrine does not invalidate a copyright; rather, it nullifies its enforcement on the alleged infringer.[421] A copyright holder that uses his or her copyright to stall competition or innovation may not then enforce such rights with the assistance of the courts.[422]

Copyright misuse or abuse is a shield in the hands of the public against an oppressive copyright holder.[423] In the United States, courts have recognized copyright misuse as a check on the overbearing right-

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416 *See* Dotun Oliar & Christopher Sprigman, *There's No Free Laugh (Anymore): The Emergence of Intellectual Property Norms and the Transformation of Stand-Up Comedy*, 94 VA L. REV. 1787 (2008) (stating that copyright laws do not effectively protect jokes or comedy); *see also* Elizabeth M. Bolles, *Stand-Up Comedy, Joke Theft, and Copyright Law*, 14 TUL. J. TECH. & INTELL. PROP. 237 (2011) (citing *Foxworthy v. Custom Tees* 879 F. Supp.1200 (N.D. Ga. 1995) on the effectiveness of copyright law to protect comedy or jokes); *see, e.g.*, Trevor M. Gates, *Providing Adequate Protection for Comedians' Intellectual Creations: Examining Intellectual Property Norms and "Negative Spaces"*, 93 OR. L. REV. 801 (2015) (commenting that comedy industry continues to thrive without strong copyright law support).

417 *Id.*

418 Universal City Studios, Inc. v. Corley, 273 F.3d 429 (2d Cir. 2001); *see also* 321 Studios v. Metro-Goldwyn-Mayer Studios, Inc., 307 F. Supp. 2d 1085 (N.D. Cal. 2004); *compare* RealNetworks v. DVD Copy Control Assoc., 641 F. Supp. 2d 913 (N.D. Cal. 2009); United States. v. Whitehead, 532 F.3d 991 (9th Cir. 2009).

419 Morton Salt Co. v. G. S. Suppiger Co., 314 U.S. 488 (1942).

420 Lasercomb Am., Inc. v. Reynolds, 911 F.2d 970, 977 (4th Cir. 1990).

421 *See* Video Pipeline, Inc. v. Buena Vista Home Entm't, Inc., 342 F.3d 191, 204 (3d Cir. 2003).

422 *See* Jonas P. Herrell, *The Copyright Misuse Doctrine's Role in Open and Closed Technology Platforms*, 26 BERKELEY TECH. L.J. 441 (2011).

423 *See* Aaron X. Fellmeth, *Copyright Misuse and the Limits of the Intellectual Property Monopoly*, 6 J. INTELL. PROP. L. 1 (1998).

sholders acting beyond the powers granted by law.[424] The proposed Nigerian copyright amendment has codified the concept of copyright misuse. [425] It would empower the NCC "to rectify abuse of dominant market position" and "to remedy abuse of rights" with compulsory license schemes.[426] The Nigerian law should go further and empower the court as the final arbiter of copyright misuse.

1. The NCC as Copyright Misuse Referee

In the U.S., the courts primarily guide in developing and interpreting conceptual and jurisprudential scope of copyright misuse or abuse. However, under the Nigerian proposed copyright law; the "NCC has inherent powers" to declare a copyright enforcement activity, for example, taking out oppressive interlocutory restraining court orders and injunctions against alleged copyright infringers as copyright misuse.[427] Courts and IP scholars have recognized the public interest and welfare objectives of copyright.[428]

Copyright public interest and welfare hinges on the concept that public access to information and innovation impels economic wealth to society.[429] Copyright grants rewards of creative monopoly and financial incentives to the creators.[430] Copyright misuse doctrine is part of the public interest rationale against the mischiefs of an IP regime.[431] The draft copyright bill has not defined the meaning of public interest, an important concern in constructing compulsory licenses.[432] This situation gives the

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424 *See* Carole Jeffery, *Copyright Misuse: A Defense Whose Time Has Come*, 27 COLO. LAW. 143 (1998).

425 Draft Copyright Bill (2015) § 31(Nigeria).

426 *Id.*

427 *Id.*

428 Okediji, *supra* note 140; *see also* Ruth L. Okediji, *The International Copyright System: Limitation Exception and Public Interest Consideration for Developing Countries* 29-31 (Int'l Ctr. for Trade & Sustainable Dev., Issue Paper No. 15, 2006) available at http://www.unctad.org/en/docs/iteipc200610_en.pdf; Offrey v. Ola & Ors (Nigeria), *supra* note 137; Campbell v. Acuff-Rose Music, Inc., 510 U.S.569 (1993).

429 Campbell, *supra* note 428.

430 *Id.*

431 Morton Salt Co., *supra* note 419.

432 *See* Diego Ortega, *Compulsory Licensing in Peru Regarding Right to Health: Defining Public Interest in the Light of the Andean Community Legal Framework* (Sept. 2016), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2986035; *see also* Padmanabha Ramanujam & Yugank Goyal, *One View of Compulsory Licensing: Comparative Perspectives from India and Canada*, 18 MARQ. INTELL. PROP. L. REV. 369 (2014); *see, e.g.*, Jarrod Tudor, *Compulsory Licensing in the European Union*, 4 GEO. MASON J. INT'L COM. L. 222 (2013).

NCC an unhealthy discretionary power to decide matters that affect the legal and economic rights of a copyright holder.[433]

The unintended consequences of this law may be the creation of an authoritarian regulatory body.[434] Moreover, the bureaucratic nature of public service may overwhelm the limited workforce in the NCC, which members may not have the requisite training or skills to adjudicate digital creative right issues. The NCC should strictly focus on strict regulatory activities and avoid settling complex issues of digital copyright laws. However, the overall policy goal of the law should be promoting the creative environment in Nigeria. [435] The proper forum to challenge copyright misuse should be a court of proper authority.[436]

2. Necessity for Interoperability

Copyrighted software and computer programs enable the streaming of Nollywood films online and on digital devices. [437] The proposed bill acknowledges the importance of copyrightable software and computer programs for a successful digital era creative industry.[438] Nollywood's industry distribution model in the digital era will largely depend on copyrighted software and computer programs for effectiveness.[439] The amendment also encourages the growth of the digital industry by enabling the developments of relevant hardware, software, and spare part markets to support an evolving Nigeria entertainment industry.[440] The law grants the ability to reverse engineer in the digital technical space, which promotes technical knowhow for local skills to service the entertainment in-

433 *Id.*

434 *See* Mary I. Nwogu, *The Challenges of the Nigerian Copyright Commission in the Fight against Copyright Piracy*, 2 GLOBAL J. POLIT. & L. RES. 22-34 (2014), http://www.eajournals.org/wp-content/uploads/The-Challenges-Of-The-Nigerian-Copyright-Commission-Ncc-In-The-Fight-Against-Copyright-Piracy-In-Nigeria.pdf.

435 *Id.*

436 Alcatel USA, Inc. v. DGI Techs., Inc., 166 F.3d 772 (5th Cir. 1999); *see also* Lasercomb Am., Inc. v. Reynolds, 911 F. 2d 970 (4th Cir. 1990).

437 *See* Donna Gies, *Computer Programs*, 2003 A.B.A. SEC. INTELL. PROP. L. ANN. REP. 1 (2003).

438 Draft Copyright Bill (2015) § 44(9) (Nigeria) (stating that notwithstanding the provisions of this section, a person who has lawfully obtained the right to control access to a particular portion of that program for the sole purpose of identifying and analyzing those elements of the program that are necessary to achieve interoperability of an independently created computer program with other programmes, and that have not previously been readily available to the person engaging in the circumvention).

439 *See* Gies, *supra* note 416.

440 *See* Chamberlain Grp., Inc. v. Skylink Techs., Inc., 381 F.3d 1178, 1204 (Fed. Cir. 2004).

dustry with derivative products without encumbrances of creative infringement.

Nigeria mostly depends on imported technology to shoot movies, create music, and stage outdoors musicals. With an enhanced digital copyright and investment laws, copyright owners may be encouraged to grant licenses for servicing software, hardware, and programs that run the entertainment industry. These entrepreneurs likely will invest locally in Nigerian based software and program creators who will form the foundation of viable a business model instead of depending on imported spare parts and hardware.

Software copyright holders in recent business practices have tied copyrighted programs to tangible goods.[441] The owners of software programs use technical protection measures to restrict derivative innovations for competing markets.[442] The U.S. courts have declared some of this conduct inappropriate.[443] The Nigerian proposed bill allows the circumvention of a TPM for the purposes of analyzing and finding elements of the copyrighted software for interoperability.[444]

The law limits legal circumvention of technical measures to aspects of a computer program that will promote the interoperability of an independently created software to an existing one.[445] The Nigerian interoperability clause is identical to the language in the DMCA clause as the proposed copyright bill is tailored to promote innovation and discourages market monopoly.[446] The Nigerian draft copyright bill's first requirement for legitimate circumvention in order to allow interoperable activity is the lawful possession of a copy of the copyrightable software program.[447] The proposed bill provides that "a person who has lawfully obtained the right to use a copy of a computer program may circumvent a technological measure False"[448] The circumvention allowed in this case is for the purposes of achieving lawful interoperability.[449]

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441 *Id.*

442 *See* Jacqueline Lipton, *The Law of Unintended Consequences: The Digital Millennium Copyright Act and Interoperability*, 62 WASH. & LEE. L. REV. 487 (2005).

443 *See* Dennis S. Karjala, *Access to Computer Programs Under the DMCA*, 25 J. MARSHALL J. COMPUTER & INFO. L. 641 (2007).

444 *See* Hiram Meléndez-Juarbe, *DRM Interoperability*, 15 B.U.J. SCI. & TECH. L. 181 (2009).

445 *Id.*

446 *See* Aaron K. Perzanowski, *Rethinking AntiCircumvention's Interoperability Policy*, 42 U.C. DAVIS L. REV 1549 (2009); 17 U.S.C. §1201 (f); Draft Copyright Bill (2015) § 44 (9) (Nigeria).

447 Draft Copyright Bill (2015) § 44(9) (Nigeria).

448 *Id.*

449 *See* Pamela Samuelson et al., Does Copyright Protection under the EU Software Directive Extend to Computer Program Behavior, Language and Interfaces?, http://ssrn.com/abstract=1974890.

The Nigerian proposed copyright bill should go further to resolve how ownership of computer software in the secondary market will evolve.[450] In the U.S., a person may lawfully obtain computer software by license or sale.[451] The Nigerian copyright bill should limit the use of the acquired computer software code for lawful derivative creations.[452] Nigeria should set up a statutory monitoring agency, which would review periodically all interoperable activities. Such oversight activity is essential for the rapidly changing digital ecosystem.[453] The Nigerian monitoring agency should modeled on the U.S. Copyright Office triennial rulemaking duties.[454]

The reform of Nigeria's copyright bill will be a fool's errand if the laws in the books, their implementation, and enforcement are discordant. The Nigerian copyright law reform on its own may not achieve the global effectiveness it needs without revisiting international IP legal regimes and jurisprudence. Nigeria should collaborate with other African nations to proffer an international IP regime that addresses the realities of present day digital, as well as traditional methods, of creativity.[455]

IV. CONCLUSION

Until recently, African policy makers lacked the political will to diversify their national economies from dependency on oil or other extractive industries.[456] The Nigerian creative community has ignited the momentum to reform its copyright laws to conform to a contemporary economy, which is technology driven. Other African countries, like South Africa, Kenya, Malawi, Ghana, and Uganda have begun the process of reforming their IP laws for the digital era.[457]

The reform of Nigeria's copyright laws should extend to other legal reforms, like contract laws, tort laws, cyberspace laws, Internet commercial activities, regulation, consumer laws, and the other subject matter re-

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450 *See* Aaron Perzanowski et al., *Digital Exhaustion*, 58 UCLA L. REV. 889 (2011).

451 *See* Ruth Dawn Atkins, *Copyright Contract and the Protection of Computer Programs*, 23 INT'L REV. L. COMPUTERS & TECH. 143 (2009).

452 *See* Peter Wald et al., *Standards for Interoperability and the Copyright Protection of Computer Programs*, 339 PRAC. L. INST. 701 (1992).

453 *Id.*

454 *See* Jonathan T. Rubens, *Copyrights in Cyberspace: Fair Use, Takedown Notices, and the Sixth Triennial Section 1201 Rulemaking*, 72 BUS. LAW. 265 (2016).

455 *See* Michael Blakeney & Getachew Mengistic, *Intellectual Property and Economic Development in Sub-Saharan Africa*, 14 J. W. INTELL. PROP. 238-264 (2011); *see also* Ituku Elangi Botoy, *Potential and Substantial Benefits of the TRIPs Agreement to the Member Countries of African Intellectual Property Organization in Patent Field: An African Perspective*, 4 J. W. INTELL. PROP. 91-103 (2001), https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1747-1796.2001.tb00165.x.

456 Hruby, *supra* note 91.

457 *Id.*

lated to IP rights. Contract and tort laws have inherent tools to deal with emerging legal concepts of the digital era in a creative economy, which traditional intellectual property laws lack.[458] Therefore, a reconceptualized copyright regime is necessary to promote the innovative forces within the African creative industries.[459]

[458] KOENIG & RUSTAD, *supra* note 39 at 105.

[459] *See* Yinka Adegoke, *Nollywood is Giving the World a Taste of True African Glamour*, QUARTZ AFRICA (Mar. 19, 2017), https://qz.com/917846/photos-nollywood-is-going-to-get-you-to-see-africas-big-picture.

COPYRIGHT REVERSION TO AUTHORS (AND THE *ROSETTA* EFFECT): AN EMPIRICAL STUDY OF REAPPEARING BOOKS

by PAUL J. HEALD*

Copyright keeps out-of-print books unavailable to the public, and commentators speculate that statutes transferring rights back to authors could provide incentives for the republication of books from unexploited back catalogs. This study compares the availability of books whose copyrights are eligible for statutory reversion under U.S. law with books whose copyrights are still exercised by the original publisher. It finds that 17 U.S.C. § 203, which permits reversion to authors in year thirty-five after publication, and 17 U.S.C. § 304, which permits reversion fifty-six years after publication, significantly increase in-print status for important classes of books. The 2002 decision in *Random House v. Rosetta Books*, which worked a one-time *de facto* reversion of ebook rights to authors, also has a significant effect on in-print status. The estimated positive effect of reversion on the availability (in-print status) of titles in the full sample of 1909 books is 20-23%.

Many countries around the world provide that an author, or the author's heirs, have an inalienable statutory right to reacquire a copyright previously assigned to a publisher, even if the assignment purported to be for the life of the copyright.[1] One relatively straightforward scheme is found in the 1976 U.S. Copyright Act, which provides that for a transfer made after January 1, 1978 after thirty-five years, an author or her heirs has the inalienable right to terminate the transfer.[2] The media report nu-

*Richard W. & Marie L. Corman Research Professor, University of Illinois College of Law. Thanks to Elizabeth Asha, Sam Enhkbat, Rebecca Giblin, Arden Rowell, and participants at the 2017 Congress of the Society for Empirical Research in Copyright Issues, the Second European Empirical Legal Studies Conference; the conference on European Policy on Intellectual Property; annual meeting of the Association of Teachers of Intellectual Property Law; the Penn State law faculty colloquium, the Georgia State Business School faculty colloquium, the University of Canterbury (NZ) Economics Department Colloquium, University of Wellington Law Colloquium, T.C Beirne (Queensland) Law & Science Seminar Series, National University of Singapore Business School Colloquium, and to the stunning folks of CREATe at the University of Glasgow.

[1] *See* Appendix A *infra* (listing the laws of various jurisdictions).

[2] 17 U.S.C. § 203(a) (2012) ("In the case of any work other than a work made for hire, the exclusive or nonexclusive grant of a transfer or license or any other right under copyright, executed by the author on or after January 1, 1978, otherwise than by will, is subject to termination . . . .").

merous stories of musicians and writers who have recently recovered valuable copyrights from their publishers under this provision.[3] Exercise of the termination right allows authors or authors' heirs to renegotiate a better deal with their publishers, to seek a new publisher, to self-publish, or to bring an out-of-print work back to the market.[4]

The U.S. and several countries have other sorts of reversion schemes.[5] In some commonwealth nations, including Canada,[6] a copyright reverts back to the author's heirs twenty-five years after the death of the author.[7] The same is true in Spain.[8] Some European countries have "use it or lose it" provisions which, under various circumstances, permit authors to reacquire copyrights if the works are not being exploited by the transferees.[9] As a matter of EU law, performers have the right to terminate transfers

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3 *See* Larry Rohrter, *A Copyright Victory: 35 Years Later*, NEW YORK TIMES (Sept. 10, 2013), http://www.nytimes.com/2013/09/11/arts/music/a-copyright-victory-35-years-later.html (detailing how Victor Willis reacquired the rights to the hit song, *YMCA*); Ted Johnson, *Legal Landmark: Artists Begin to Reclaim Rights to Their Music*, VARIETY (Apr. 16, 2013), http://variety.com/2013/biz/features/artists-reclaim-rights-to-music-1200334132; *Rights Reversion Success Stories*, AUTHORS ALLIANCE http://www.authorsalliance.org/category/resources/rights-reversions/rr-successes (last visited Jan. 13, 2019) (stories of writers who have regained their copyrights); *Recapturing US Copyright*, BAS©A (Oct. 6, 2015), https://basca.org.uk/2015/10/06/recapturing-us-copyright (recapture of "Video Killed the Radio Star"); Lisa Alter, *Termination of Transfers Under the US Copyright Act*, 33 SPG ENT. & SPORTS LAW 32, 39-46 (2017) (describing recent cases of musicians recovering their copyrights).

4 *See* Nicole Cabrara et al., *Understanding Rights Reversion: When, Why, and How to Regain Copyright and Make Your Book More Available* 4-5, AUTHORS ALLIANCE, http://www.authorsalliance.org/resources/rights-reversion-portal/rights-reversion-guide.

5 *See* Appendix A *infra* (collecting provisions from non-U.S. jurisdictions); *see also, e.g.*, Maria Lillà Montagnani & Maurizio Borghi, *Positive Copyright and Open Content Licenses: How to Make a Marriage Work by Empowering Authors to Disseminate Their Creations*, 12 INT'L J. COMM. L. & POL'Y 244, 256 (2007) ("The German Copyright Act encompasses a specific provision on termination of contract for non-use relating to all kinds of transfers except contracts for film production. Article 41 provides that two years after the grant of the right, or delivery of the work, whichever is later, the author can revoke the grant if the holder of an exclusive exploitation right does not exercise such a right or, alternatively, she exercises it insufficiently, thereby causing serious injury to the author's legitimate interests.").

6 *See* Canadian Copyright Act § 12(5).

7 *See* Paul Torremans, *Reversionary Copyright: A Ghost of the Past or a Current Trap to Assignments of Copyright?*, 2 INTELL. PROP. Q. 77, 78 (2012).

8 *Id.*

9 DIRECTORATE-GENERAL FOR INTERNAL POLICIES, CONTRACTUAL ARRANGEMENT APPLICABLE TO CREATORS: LAW AND PRACTICE OF SELECTED MEMBER STATES 77 (Policy Department — Citizen's Rights and Constitutional Affairs, 2014).

made to recording studios, if the recordings are not being exploited by the producers fifty years after the recordings were first released.[10] In the U.S., pre-1978 works are governed by a bewildering mix of laws that allowed an author's heirs to regain rights at year twenty-eight after publication, *if* the author died before year twenty-eight,[11] created another reversion window in year fifty-six after publication[12] and for all works published between 1950 and 1978.[13] To complicate matters further, if the termination right for pre-1978 works under 17 U.S.C. § 304(c) is not exercised in year fifty-six after publication, then it may under some circumstances be invoked in year seventy-five after publication.[14]

The stated rationale for these various reversionary statutes is overtly paternalistic.[15] Legislators are worried about artists who may have made bad deals with their publishers,[16] or they are concerned about heirs[17] who

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[10] *Id.* at 78; *see also* Martin Kretschmer, *Copyright Term Reversion and the "Use It or Lose It" Principle*, Int'l J. Music Bus. Res. (2012).

[11] *See* Stewart v. Abend, 495 U.S. 207 (1990).

[12] *See* Lionel Bently & Jane C. Ginsburg, *"The Sole Right . . . Shall Return to the Authors": Anglo-American Authors Reversion Rights From the Statute of Anne to Contemporary U.S. Copyright Law*, 25 Berkeley Tech. L.J. 1475, 1555-64 (2010); Katie Joseph Note, *Copyright's Unconsidered Assumption: Statutory Successors to the Termination Interest (and the Unintended Consequences for Estate Planners)*, 94 Neb. L. Rev. 441, 447-52 (2015).

[13] *See* 17 U.S.C. § 304(c)(3) (2012) ("In the case of any copyright subsisting in either its first or renewal term on January 1, 1978, other than a copyright in a work made for hire, the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978 . . . is subject to termination . . . fifty-six years from the date the copyright was originally secured . . . .").

[14] *See id.* § 304(d) (if the right established in § 304(c) is not exercised "termination of the grant may be effected at any time during a period of five years, beginning at the end of seventy-five years from the date the copyright was originally secured").

[15] *See* Rebecca Giblin & Kimberlee Weatherall, What if We Could Reimagine Copyright? 166 (2017) ("Reversionary rights are putatively designed to provide protection for authors against bad deals."); Montagnani & Borghi, *supra* note 5, at 262 (referring to reversionary schemes as "legal paternalism").

[16] *See* H.R. 1476, at 5741 (94th Cong. 1976) ("A provision of this sort [§ 203] is needed because of the unequal bargaining position of authors, resulting in part from the impossibility of determining a work's value until it has been exploited."); Pierre B. Pine, *You're Terminated: Termination and Reversion of Copyrights and the Termination Rights Dilemma*, McPherson Rane LLP, July 23, 2014, http://mcphersonrane.com/articles/youre-terminated-termination-and-reversion-of-copyright-grants-and-the-termination-gap-dilemma ("The purpose and rationale of the termination provisions was clearly equitable in nature, to allow authors or their heirs a second opportunity to share in the economic success of their works."); Shane Valenzi, *It's Only a Day Away: Rethinking Copyright Termination in a New Era*, 53 IDEA 225, 227 (2013) ("One point of view (the 'authors' rights view) is that emerging creative authors are in such a poor bargaining position with respect

might not be adequately benefitting from the previous generations' labor.[18] From an economic standpoint, these equitable reasons for creating a reversion right are unsatisfactory.[19] Concerns over "bad deals" made by authors clash with traditional deference to freedom of contract, and sentimental motivations for rewarding impoverished heirs are difficult to justify under an efficiency rationale.[20]

Recently, commentators have advanced wholly different and primarily utilitarian justifications for granting authors a second bite at the apple.[21] Martin Kretschmer argues that "term reversion could be a key tool for [enabling] artist-led cultural and social innovation."[22] In other words, after a certain period of time, authors may do a better job than publishers of making works available to the public or of creating new derivative

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to companies . . . that copyright law must protect authors in some way against 'unremunerative transfers.'").

17 *See* Giblin & Weatherall, *supra* note 15, at 166-67 ("[reversion] might seem nice for those heirs but lacks any justification related to instrumental or natural property rights.").

18 *See* Alan J. Hartnick, *Stanley Rothenberg: Final Thoughts on the Dickens Provision*, 54 J. Copyright Soc'y 565, 567 (2007) (explaining the origin of the reversionary right in the 1911 Imperial Copyright Act as motivated by sympathy for Dickens impoverished heirs); Stewart v. Abend, 495 U.S. 207, 218(1990) ("The evident purpose of [the renewal provision] is to provide for the family of the author after his death."), citing De Sylva v. Ballentine, 351 U.S. 570, 582 (1956)).

19 *See* Valenzi, *supra* note 16, at 227 (describing "the right to contract view" as "the reality that producers and publishers take as many risks as creative authors: copyright law has no business stepping on the toes of simple contract law").

20 *See* Giblin & Weatherall, *supra* note 15, at 167 ("[R]ights of termination and reversion are undoubtedly a form of restraint on alienation not normally encouraged in the design of efficient property rights systems."); Montagnani & Borghi, *supra* note 5, at 261 ("[E]conomic analysis points out that introducing compulsory time restrictions in publishing contracts may weaken, instead of enhance, the author's bargaining position.").

21 *See* Kretschmer, *supra* note 10; Molly Van Houweling, *Authors v. Owners*, 54 Hous. L. Rev. 371 (2016) (reverting rights to authors may lead to more works being available); Cabrara et al., *supra* note 4, at 9 ("Reversions serve the public interest. Society benefits from the widespread access to scholarly works and the preservation of our cultural heritage. Public access to knowledge is restricted when works are out of print . . . . Reversions of rights can help authors remedy these problems and increase access to their works."); Montagnani & Borghi, *supra* note 5, at 264.

22 *See* Kretschmer, *supra* note 10, at 46, Cabrara et al., *supra* note 4, at 9 (encouraging authors to "create new works derived from their books"); Guy A. Rub, *Stronger than Kryptonite? Inalienable Profit-Sharing Schemes in Copyright Law*, 27 Harv. J.L. & Tech. 49, 94 (2013) (describing terminating authors who want to use their works "in a new way, distribute it for free (or not), or dedicate it to the public domain").

works.[23] Reversion may "provide incentives to creators to . . . free back catalogues."[24] If authors or their estates are more efficient in exploiting older works, then utilitarian economics may provide a valid alternate rationale for copyright reversion[25] and may even provide a justification for expanding authors' reversionary rights, for example, by shortening the period of time that authors or their heirs have to wait to terminate a prior transfer.[26]

As reversionary schemes have been in place for decades, empirical evidence is available to measure what happens to works when rights revert from a publisher back to an author. Given the argument in favor of increased accessibility, the key point of inquiry should be whether reverted works become more or less available to the public after a termination of transfer becomes possible under the applicable statute. In the case of books, for example, one can observe whether in-print status increases or decreases when an author or her heirs are eligible to take control of the underlying copyright. The data presented herein suggests an increase in availability of 20%–23% as measured by in-print status in a set of 1909 books.

Of course, the claim that authors may be more efficient at exploiting works raises an obvious theoretical question: Why would authors do a better job? A recent paper suggests that currently unexploited back catalogs of books would generate approximately $740 million in revenue and $460 million in profits in ebook markets alone.[27] Why would publishers leave so much potential income on the table for authors to gather up? Smith,

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[23] *See* Giblin & Weatherall, *supra* note 15, at 278 ("[R]eversion can] afford the creator a second opportunity to exploit the work economically"), Montagnani & Borghi, *supra* note 5, at 264 ("[R]eversion] does not aim at providing authors with a 'second chance' but with the possibility of disseminating their works after a first commercial exploitation").

[24] *See* Kretschmer, *supra* note 10 at 4; *see also* Van Houweling, *supra* note 21 (noting termination of rights can resolve conflicts between authors who want to "revive a work that is no longer disseminated"); Rub, *supra* note 22, at 94 ("[T]ermination rights can serve a different group of creators: those whose work is no longer commercially exploited, such as author whose books have gone out of print"); Cabrara et al., *supra* note 4, at 5 (guide to reversions explaining how authors can "bring their out-of-print works back into print").

[25] *See* Giblin & Weatherall, *supra* note 15, at 327 ("[Reversion would] free up many of those works that had been languishing in the hands of intermediary owners with no further interest in commercially exploiting them, facilitating the transfer of rights to those who value them most.").

[26] *Id.* at 5 (suggesting that after ten years rights should revert to authors in cases of non-exploitation).

[27] *See* Michael Smith, Rahul Telang, & Yi Zhang, Analysis of the Potential Market for Out-of-Print ebooks 1 (Sept. 4, 2012) (Carnegie Mellon University Research Showcase), http://repository.cmu.edu/cgi/viewcontent.cgi?article=1383&context=heinzworks.

Telang, and Zhang suggest that many publishers require a minimum yearly demand of 500-1000 books in order to keep a title in print.[28] Such rigid quotas might create inefficiencies that other players in the market, e.g. authors or small publishers, might be eager to exploit, and high transaction costs might explain why the large publishers do not bargain away the rights. Principal/agent costs within publishing firms may provide another explanation for inefficiencies. Branding strategies may also play a role. Large publishing houses may cultivate a quality reputation by selling only relatively popular books and leaving smaller book markets to "lesser" firms.[29] When a publisher is unwilling to keep a book in print,[30] then the profit interest of an author or her estate may serve as a proxy for the public's interest in access.

The work of Ghose, Smith, and Telang helps explain the value of making a new edition of a book available to the public, even when we generally have access to used copies of the same title.[31] After analyzing trends in new and used book sales on Amazon.com, they conclude that "used books are poor substitutes for new books for most of Amazon's customers."[32] They find a very low cross-elasticity of demand between new and used titles[33] and determine that "only 16% of used-book sales at Amazon cannibalize new-book purchases."[34] New editions also create valuable information spillovers.[35] The publisher of a new edition has a financial incentive to advertise the book to consumers and to provide useful information about it, while used, out-of-print books have no such advocates.

This article, therefore, addresses the following question: Do more new editions of books appear when the law facilitates a change in ownership from an initial publisher back to an author or her heirs? After examining three different datasets totaling 1,909 titles, I find strong support for the conclusion that the thirty-five-year termination right of 17 U.S.C.

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28 *Id.* at 2.

29 After all, Prada is not interested in satisfying the entire market for handbags. It leaves the profitable market of selling to Walmart shoppers to others.

30 *See* Ian Watson, *Assisting Living Authors in Opening Access to Their In-Copyright Works: A Report from Iceland*, 41 Bókasafnið 34, 37 (2017) (detailing authors' frustrations in dealing with publishers after their academic works have gone out of print).

31 Anindya Ghose, Michael D. Smith, & Rahul Telang, *Internet Exchanges for Used Books: An Empirical Analysis of Product Cannibalization and Welfare Impact*, 17 Info. Sys. Research 3 (2006).

32 *Id.* at 3.

33 *Id.* ("The cross elasticity of new-book demand with respect to used-book prices is only 0.088.").

34 *Id.*

35 Many thanks to professor Albert Yoon for this point.

§ 203, along with the fifty-six-year termination provision of 17 U.S.C. § 304, result in a significantly increased availability of book titles to the public. The data also reveal a strong effect caused by the de facto reversion of ebook publishing rights to some authors under an important appellate case, *Random House, Inc. v. Rosetta Books, LLC*.[36]

Part I briefly examines the evidence that ever-increasing copyright terms have resulted in the diminished availability of book titles to the public and theorizes that reverting rights to authors might help alleviate the problem. Part II sets forth the methodology used to measure the effect of multiple U.S. reversionary schemes. Part III describes the data and sets forth the results. This section also measures for the first time the effect caused by the Second Circuit's decision in *Random House, Inc. v. Rosetta Books*[37] that surprisingly recognized that authors, under certain standard form publishing agreements, controlled digital rights, despite having broadly transferred "all rights" to their works to their original publisher "in book form." Overall, the various reversionary schemes have increased the availability of books in the book sample by an estimated 20%–23%. Part IV offers some caveats and conclusions.

I. THE PROBLEM OF THE DISAPPEARING BOOKS

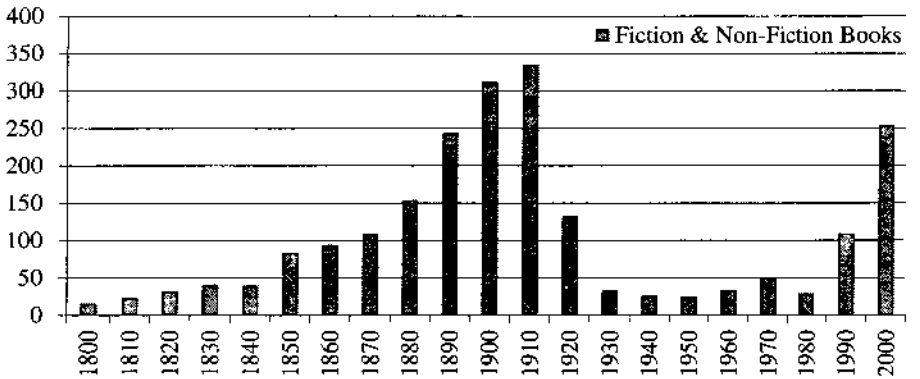
The effect of copyright law on the availability of works, as revealed in a prior study, is illustrated graphically in Figure 1. A sample of 2,266 new editions of books for sale on Amazon.com during the fall of 2012 are grouped below by decade of initial publication of the underlying title.[38]

[36] 283 F.3d 490 (2d Cir. 2002).

[37] *Id.* (holding that a publishing contract transferring all rights "in book form" to the publisher did not transfer the right to publish ebooks).

[38] *See* Paul J. Heald, *How Copyright Keeps Works Disappeared*, 11 J. EMPIRICAL LEG. STUD. 829, 839 (2014) ("Each edition was identified by query with a randomly chosen ISBN number. Since some book titles have multiple ISBN numbers, approximately fifty duplicate titles were excluded. Editions are ordered by decade based on the year of original publication of the underlying work. For example, a 2005 edition of Tom Sawyer is included in the decade of the 1870s, as its initial publication date was 1876.").

Figure 1: Disappeared 20th Century Books
2266 New Editions from Amazon by Decade of Initial Publication



The left column indicates the number of editions of new books for sale in 2012 within the sample. Not surprisingly, a large number of books initially published from 2000–10 are represented, but the decline in the availability of new books initially published in earlier decades is quite steep, with only twenty-nine titles from the 1980s being available. Another study shows a similar time-sensitive decline in the adaptation of books into movies.[39] The jump in the availability for books initially published in the 1920s and earlier is startling and almost certainly explained by the fact that books published before 1923 in the U.S. have fallen into the public domain. Any publisher can sell these books on Amazon without obtaining permission or paying royalties, and this stimulates the production of new editions.

Other studies show that a change in copyright ownership from publishers to the public increases the availability of book titles,[40] audiobooks,[41] and recorded music.[42] For example, in 2006, 168 bestsellers initially published from 1923–32 (all still protected by copyright) were in

[39] Eur. Intell. Prop. Off., Derivative Use of Film Industry Content: Film Industry Focus 13 (2017) ("The likelihood of a book to be used as a basis for film adaptation twelve years after first publication is already 50% lower than in the first five years following first publication. The odds of adapting a book seventy years after its first publication are 95% lower than in the first few years that it is available in bookstores.").

[40] *See* Heald, *infra* note 43, at 1040-45; Imke Reimers, Copyright and Generic Entry in Book Publishing, (2017), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2938072 (studying the U.S. book market and finding "that a copyright significantly limits the availability of work.").

[41] *See* Christopher Buccafusco & Paul J. Heald, *Do Bad Things Happen When Works Enter the Public Domain? Empirical Tests of Copyright Term Extension*, 28 Berkeley Tech. L.J. 1 (2013).

print at a rate of 74%, while 166 bestsellers from the prior decade, 1913–22 (all in the public domain) were in print at a rate of 98%.[43] A recent update of the study in 2012 showed an even greater disparity in the ebook market for the same 334 titles. Of the public domain titles initially published from 1913–22, 94% percent were available as ebooks in 2015, while only 27% of the copyrighted titles from 1923–32 were available as ebooks.[44] The market for audiobooks recorded from books in the same data set of bestsellers tells a similar story. By 2012, 33% percent of the public domain titles had been made into audiobooks, while only 16% of the copyrighted titles were available in audiobook form.[45]

One recent study attempts to measure the welfare losses caused by long copyright terms that keep books out of print. In examining the twenty-year U.S. copyright term extension that began in 1998, Imke Reimers finds "decreases in consumer surplus which are more than four times as large as any increases in profits to copyright holders and publishers."[46] Another study provides counter-factual support for Reimers' research by finding a significant increase in the release of musical tracks once the underlying copyright in the sound recording expired.[47]

These studies suggest that a legislature could solve the problem of access to disappeared works by shortening the term of copyright so that works fell into the public domain sooner. Shortening the term, however, is not an available option for the 174 countries, including the U.S., that are members of the Berne Convention,[48] which mandates a minimum term of the life-of-the-author plus fifty years.[49] The Berne Convention, however,

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[42] Megan MacGarvie, John McKeon, & Jeremy Watson, It Was Fifty Years Ago Today: Recording Copyright Term and the Supply of Music 2 (2017) (forthcoming), http://serci.org/2017/Macgarvie.pdf.

[43] *See* Paul J. Heald, *Property Rights and the Efficient Exploitation of Copyrighted Works: An Empirical Analysis of Public Domain and Copyrighted Fiction Bestsellers*, 92 MINN. L. REV. 1031, 1040 (2008).

[44] *See* Heald, *supra* note 38, at 852.

[45] *See* Heald *supra* note 43.

[46] Imke Reimers, *supra* note 40 (studying the U.S. book market and finding "that a copyright significantly limits the availability of work.").

[47] *See* Magarvie, *supra* note 42, at 2.

[48] The treaty protects "works" and grants rights to "authors," but does not define who is an author and says nothing about ownership of rights once they have been alienated by the author. *See* 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), https://wipolex.wipo.int/en/treaties/textdetails/12214. This flexibility allows German law to make copyright ownership inalienable. Authors can only technically grant licenses to users.

[49] *Id.* at 7(1); *see also* Kretschmer, *supra* note 10, at 46 ("setting a term that rationally balances underproduction and under-use of copyright works is closed as a policy option as international and European law stands.").

says nothing about copyright ownership, and member states have broad latitude to pass laws affecting who owns works, as long as initial rights are vested in the author.[50] Kretschmer, for example, very sensitive to Berne Convention considerations, proposes the reversion of copyright to authors ten years after the transfer when the transferee is not exploiting the work.[51]

In theory, then, copyright reversion rules might be used to address the problem of disappearing works *if* authors do a better job than publishers in making older works available to the public. What happens to works when ownership changes is observable, and whether an ownership change is likely to increase availability is a testable hypothesis.

II. METHODOLOGY

As historical information about the market for books is much easier to gather than information on the market for music,[52] the availability of works was measured in terms of in-print status of book titles over time.[53] As noted above, two distinct reversion schemes exist under U.S. law for works published before and after January 1, 1978. Under 17 U.S.C. § 203, transfers of copyrights in works published after January 1, 1978, can be terminated thirty-five years after the transfer,[54] either by the author or his or her heirs.[55] Under 17 U.S.C. § 304, transfers of copyrights of books published before January 1, 1978, may be terminated fifty-six years after publication,[56] or seventy-five years after publication for pre-1937 works, if

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[50] *See* Kretschmer, *supra* note 10, at 46 ("Term reversion would be compatible with international and EU law, as the term itself would not be affected."); Giblin & Weatherall, *supra* note 14, at 326 ("Berne/TRIPS also has little to say about ownership of copyright.").

[51] *Id.* at 46.

[52] Back volumes of Bowker's *Books in Print*, establish an historical record tracking each year whether a book is in print or not. No parallel record exists for music. On iTunes, one can determine whether a song from 1934 is available now, but one cannot determine on any database whether the same song was available in 1979 or 2002 or 2016.

[53] Availability of books in 2017 was measured by availability on Amazon, which contains a greater listing of books in print than does Bowkers.

[54] *See* 17 U.S.C. § 203(a) (2012) ("In the case of any work other than a work made for hire, the exclusive or nonexclusive grant of a transfer or license or any other right under copyright, executed by the author on or after January 1, 1978, otherwise than by will, is subject to termination . . . .").

[55] *Id.* § 203(a)(1)

[56] *See id.* § 304(c)(3) ("In the case of any copyright subsisting in either its first or renewal term on January 1, 1978, other than a copyright in a work made for hire, the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978 . . . is subject to termination . . . fifty-six years from the date the copyright was originally secured . . . .").

the opportunity at year fifty-six went unexploited.[57] Under both regimes, notice must be given to the original transferee,[58] and a filing should be made with the Copyright Office to perfect the interest of the author or his or her heirs.[59] Works published prior to 1978 automatically reverted to an author's heirs in year twenty-eight after publication if the author died prior to year twenty-eight.[60]

Taking advantage of available data on the in-print status of books, I pose three research questions about the possible effects of the U.S. law of copyright termination rights:

1) Can a portion of the observed increase in availability of books between 2008 and 2017 be attributed to the thirty-five-year termination rule of 17 U.S.C. § 203?
2) Can a portion of the observed increase in availability of books between 2008 and 2017 be attributed to the fifty-six-year termination rule of 17 U.S.C. § 304?
3) Can a portion of the observed increase in availability of books between 2008 and 2017 be attributed to the holding of *Random House, Inc. v. Rosetta Books?*[61]

To address these questions, three separate datasets were analyzed.

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57 *See id.* § 304(c).

58 *See id.* §§ 203(a)(4), 304(c)(4).

59 *See id.* § 203(a)(4), § 304(c)(4) ("a copy of the notice shall be recorded in the Copyright Office before the effective date of termination, as a condition to its taking effect.").

60 *See* Stewart v. Abend, 495 U.S. 207 (1990). This paper uses the term "year twenty-eight after publication" to simplify the complex question of precisely how long an author had to live in order for a prior transfer of an interest in the renewal term (a twenty-eight-year extension of the original twenty-eight-year term made contingent upon filing a renewal document in the Copyright Office) to vest in the original transferee. Courts employed at least three different methods of determining whether an author had lived long enough to see her copyright "renewed." *See* JULIE COHEN, ET AL., COPYRIGHT IN A GLOBAL INFORMATION ECONOMY 693 (4th ed. 2015) ("[A]n issue arose as to the timing of the vesting of the renewal term, with three possibilities: the beginning of the final year of protection, the date of the filing of the renewal certificate, or the first day of the renewal term.").

61 283 F.3d 490 (2d Cir. 2002) (holding that a publishing contract transferring all rights "in book form" to the publisher did not transfer the right to publish ebooks).

A. *Dataset #1:* NYT-*Bestselling Authors: Testing the Effect of the Fifty-Six-Year Reversion Rule of 17 U.S.C. § 304*

For a previous article,[62] I collected a dataset of 362 authors who had at least one top ten *New York Times* (*NYT*) bestselling novel from 1895–1969. For the purposes of this study, I selected all sixty authors in the database who died between 1973 and 1999. The copyrights in books published between 1962 and 1978 were not yet eligible for reversion at the time of this study in 2017, while the copyrights in books published before 1962 (more than fifty-six years prior to 2017) were eligible for reversion to the author's estate. The sixty authors were chosen because they were likely to have published books during both time periods, facilitating a comparison between the status of books whose copyrights reverted to authors' estates and those that did not. A total of 819 books were studied.

The research question can be seen clearly by using Scottish author Helen McInnes as an example. Born in 1907, she died in 1985. Copyright ownership of her first bestseller *Assignment in Brittany* (1942), was eligible to be terminated by her heirs in 1998.[63] On the other hand, *The Snare of the Hunter*, published in 1974, will not be eligible for termination until 2020.[64] Books in both the termination-eligible and termination-ineligible categories by all sixty authors were identified on Amazon.com and their in-print status in 2017 was collected. In addition, the books in-print status as of 2008 was collected using bound volumes of Bowker's *Books in Print* at the Library of Congress.

Importantly, the identity of the publisher of both digital and bound volumes of each work as of 2017 was collected. In this study, the term "original publisher" (sometimes "traditional publisher") is used to describe the publisher that initially offered the first edition of the work, most commonly Doubleday; Random House; Norton; Penguin; Ballentyne; MacMillan; Grove; Simon & Schuster; and Farrar, Giroux, & Strauss. If the original publisher and the current publisher are both well-established firms, e.g. Random House and Penguin (which merged in 2013),[65] the title is credited as being in-print due to the efforts of the first transferee. In

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62 *See* Paul J. Heald, Kristofer Erickson, & Martin Kretschmer, *The Valuation of Unprotected Works: A Case Study of Public Domain Images on Wikipedia*, 29 HARV. J. OF LAW & TECH 1, 12 (2015).

63 Additional titles published before 1962 include, *Above Suspicion* (1941), *Horizon* (1945), *Friends and Lovers* (1947), *Rest and Be Thankful* (1949), *Neither Five nor Three* (1951), *I and My True Love* (1953), and *Pray for a Brave Heart* (1955).

64 Additional titles published after 1962 include, *The Salzburg Connection* (1968), *Message from Málaga* (1971), and seven others.

65 *See Penguin and Random House Complete Merger*, THE TELEGRAPH (July 1, 2013), http://www.telegraph.co.uk/finance/newsbysector/mediatechnologyandtelecoms/media/10152247/Penguin-and-Random-House-complete-merger.html.

other words, we assume no reversionary right has been exercised if the title is offered by a major publisher, although in theory an author could terminate an initial transfer and stay with the same publisher (or find another major publisher). This assumption will, presumably, diminish any reversion effect that is measured.

The term "independent publisher" is the term chosen by smaller, newer presses (usually established after 2000)[66] to describe themselves. Most of them are less than twenty years old, and they stand outside the mainstream publishing industry, often focusing on niche books or emerging digital markets. Virtually all, with the exception of some university presses,[67] were established after the newest book in the data set was first published. No publisher denominated as "independent" published the original edition of any of the titles. When a title is published by an independent press, the original publisher is assumed to be disinterested in making the book available. Few authors are likely to abandon a prestigious firm like Random House to throw in their lot with a new, unproven press. Some authors may have done so, however, and crediting availability of all titles published by independent presses to termination pressure may offset the effect, noted just above, of assuming that no titles offered by traditional publishers were stimulated by a threatened termination by an author.

Finally, several books in the data set were published after 1978, and these are governed by the thirty-five-year rule of § 203. For example, Helen McInnes' last two books, *Prelude to Terror* (1978) and *Hidden Target* (1980), were eligible for reversion at year thirty-five after publication,. Only forty-two of the 819 books fell into this post-1978 publication category, and they were omitted from the analysis.[68]

It should also be noted that although all of the sixty authors in the dataset had at least one bestseller, by no means were all of their 819 novels bestsellers. Several authors were one-hit wonders, so the data contains both bestsellers and those which were most likely merely notable. The second dataset, described below, consists entirely of bestselling novels.

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66 The most important of these presses, Open Road Media, which captures a plurality of the independent ebook market, was established in 2009. *See Open Road Integrated Media*, WIKIPEDIA, https://en.wikipedia.org/wiki/Open_Road_Integrated_Media (last edited Apr. 23, 2018).

67 A small number of university presses bring back into print authors of special interest to their community, e.g., the University of Mississippi Press re-printing editions of Eudora Welty's works.

68 Seven of the titles were initially published before 1950 with the author dying within twenty-eight years of publication. These titles would have reverted to the author's estate twenty-eight years after publication, rather than fifty-six. These titles were omitted from the analysis.

B. Dataset #2: NYT-*Bestselling Books: Testing §§ 203 and 304*

The second database consists of 268 books that at some point in time make the weekly *NYT* fiction bestsellers list from 1956–59 and from 1963–66, and 421 *NYT* fiction bestsellers from 1974–81 and 1983–86. This data set differs in two significant ways from that described above. First, many more authors are represented, which should reduce any author-specific effects.[69] Second, all of the books achieved the minimum status of top-ten bestseller. The influence of reversion measured in this set of titles may be affected by the popularity of the works. An analysis of these titles allows a direct comparison of the § 304 and the § 203 regimes.

Books initially published from 1956–59 are governed by the fifty-six-year-after-publication termination rule of § 304, while the titles from 1963–66 were not yet subject to termination in 2017. To illustrate, Alan Drury's *Advise and Consent* was first published in 1959, and § 304 permitted his estate to reacquire its copyright in 2015. A new bound edition of *Advise and Consent* is available from WordFire Press, an independent press founded in 2011 by science fiction author Kevin Anderson.[70] On the other hand, Drury's novel *A Shade of Difference* was published in 1963 and will not be subject to termination until 2019. New bound volumes of *A Shade of Difference* are not available. Comparing the present availability of works from 1956-59 with works from 1963–66 reveal patterns reflecting changes in copyright ownership.

The four years of bestsellers from 1978–81 are governed by the thirty-five-year termination regime of § 203, and transfers of copyright in those books were terminable by their authors or the authors' estates by 2017. The availability of those works thirty years after publication (five years before reversion) was compared with their availability in 2017, and the publisher of each edition available in 2017 was identified. Finally, eight years of bestsellers from 1974–77 and 1983–86 formed a control group of titles not yet subject to reversion by 2017, and changes in their availability from 2009–2017 was measured for the purposes of comparison with the bestsellers from 1978–81. The identity of the 2017 publisher of each title was collected and denominated "original/traditional" or "independent" as described above.

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69 For example, some authors may have more alert agents advising them of their reversion rights. Indeed, authors may share an agent, thereby compounding the effect.

70 *See* WordFire Press, http://www.wordfire.com/wordfire-press (last visited Jan. 16, 2019); *see also* Phil Simon, *Classic Politics: The Works of Alan Drury Now Back in Print*, HuffPost, (Dec. 6, 2017), https://www.huffingtonpost.com/phil-simon/classic-politics-the-work_b_5403779.html ("International bestselling author Kevin J. Anderson, the publisher of WordFire Press, acquired the rights to Drury's entire library after he personally intervened and helped with the literary estate.").

C. *Dataset #3,* NYT-*Reviewed Books: Testing the Effect of 17 U.S.C. § 203*

The third source of data consists of a sample of 464 books reviewed by the *New York Times Book Review* ("*NYTBR*") from 1978–84. These titles had been gathered for a previous research project,[71] and they present attractive objects of study for two reasons. First, the dataset does not contain merely bestselling works or works by bestselling authors. Some of the works studied did crack the *New York Times* bestseller list, but the vast majority did not. On the other hand, the titles are not obscure. At one time, each work was considered significant enough to be reviewed by an important source for literary commentary. Since the other two datasets focus exclusively on bestselling fiction titles or bestselling fiction authors, the *NYTBR* data permit observation of a reversionary effect in a broader universe of titles. Not only are the titles relatively modest in terms of their popularity, but the dataset also contains a mixture of fiction and non-fiction titles not present in the second and third datasets.

Within the *NYTBR* data set, the books published from 1978–81 were subject to the § 203(a) termination right from 2013–16. Books initially published in 1982 were ignored because the thirty-five-year termination right for these works began in 2017, the year the data was collected, and it was unclear when rights might technically be transferred. Books published from 1983–84 were not yet subject to the termination right, and the sample of works from those years was enlarged to balance out the number of titles from 1978–81. The entire sample consists of books initially published in: 1978 (53), 1979 (63), 1980 (59), 1981 (62), 1983 (106), and 1984 (111). The identity of the 2017 publisher of each title was collected and denominated "original/traditional" or "independent" as described above.[72]

III. RESULTS AND DATA ANALYSIS

Subject to the caveats discussed in Part IV, the data suggest that §§ 203 and 304 have a significant positive effect on the availability of books. A third reversion-like phenomenon, denominated as the *Rosetta* effect and described below, also seems to have a significant positive effect on the availability of titles, albeit in ebook form only.

A good place to begin the story can be found in the recent willingness of publishers to bring older bestsellers back into print. Among the most famous older books, at least, the problem of the disappearing books seems to be ameliorating.

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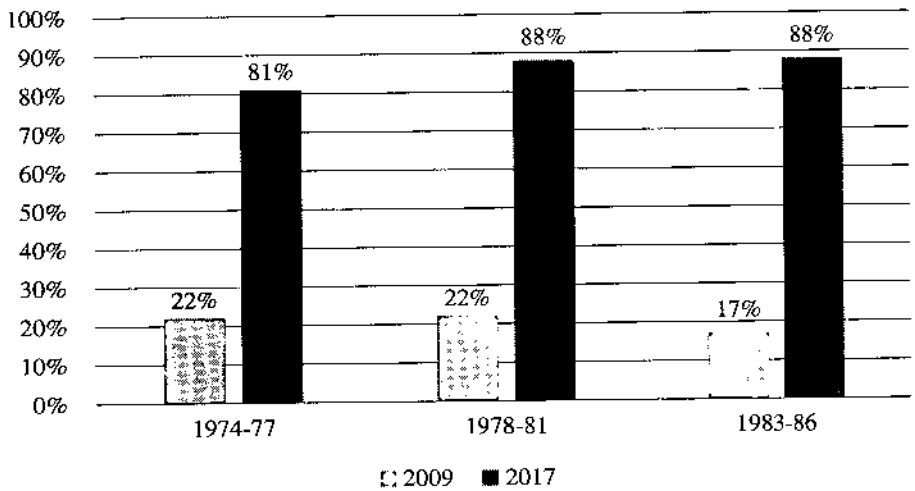
[71] *See* Heald, *supra* note 38.

[72] *See supra* note 66-67 and accompanying text.

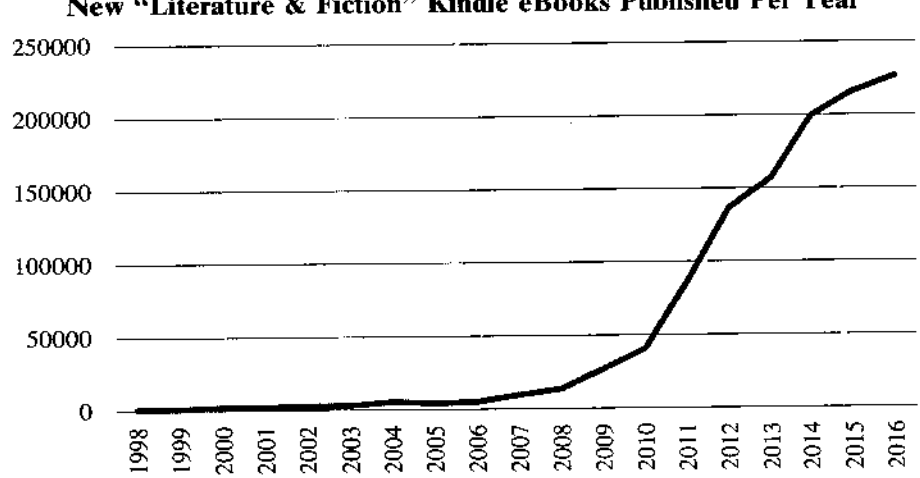
Figure 2: Bestselling Titles Coming Back into Print
Percent *NYT* Bestsellers in Print 2009 & 2017



If one viewed the titles from 1978–81 in isolation, one might be tempted to ascribe the significant increase in availability to the fact that all the titles in that set became eligible for reversion from 2013–16; however, the availability of the non-reversion-eligible titles from 1974–77 and 1983–86 increased to much the same degree.

The increase is likely to be related to the growth of ebook publishing during the same period.

Figure 3: Growth of eBook Market from 1996–2016
New "Literature & Fiction" Kindle eBooks Published Per Year



Almost certainly, the rise of digital publishing has facilitated the reappearance of many older bestselling novels. The question remains, however, whether eligibility for rights reversion under § 203, § 304, or *Rosetta* may have motivated the exercise of the new digital publishing power or may have stimulated new bound volumes to appear.

A. Dataset #1: NYT-Bestselling Authors, the Rosetta Effect, and the Contribution of the Fifty-Six-Year Rule of § 304

An analysis of 819 books written by authors who in their careers placed at least one title on the *NYT* end-of-year, top-ten bestsellers list suggests two relevant motivations for the reappearance of formerly out-of-print works. First, the data reveal an important reversion-like effect associated with the 2002 decision in *Random House, Inc. v. Rosetta Books, LLC*,[73] which held that a form agreement granting all rights "in book form" to a publisher failed to alienate an author's independent right to publish ebooks. In 2002, authors who assumed that they had signed away all their rights found that the ebook right had unexpectedly "reverted" to them. Second, the fifty-six-year termination right found in § 304 seems to have independently spurred the republication of a further set of titles.

1. Uncovering the Rosetta Effect

When this project was initially formulated and data collection began, the focus was exclusively on the operation of the fifty-six and thirty-five-year reversion rules of §§ 304 and 203. *Rosetta* was not on the radar screen, and the first broad comparison of titles revealed little about rights reversion. The initial analysis was conducted on the largest data set, 819 novels by sixty bestselling authors (not the data set of bestselling novels presented above in Figure 2). Copyrights to 521 of the 819 books published were eligible for reversion in year fifty-six after publication.[74] These 521 titles were in print at a rate of 40% in 2017. The 248 somewhat newer titles[75] ineligible for reversion were in print at a rate of 46%. The slightly greater availability of the reversion-ineligible books (median publication date 1968) may be due to the age of the reversion eligible sample (median publication date 1946).

Although this rough-cut analysis evidenced no positive effect of reversion eligibility on availability, the data revealed what was an important artifact of the well-known 2002 *Random House Books, Inc. v. Rosetta Books* case, which worked a reversionary-like effect in the market for

[73] 283 F.3d 490 (2d Cir. 2002).
[74] The dates of initial publication of these works varies from 1923 to 1961.
[75] The dates of initial publication of these works varies from 1962 to 1977.

ebooks. The effect of the case can be seen by taking a more granular look at the sub-set of books in this database available in digital format.[76]

As noted above, the sub-set of 248 books not yet subject to reversion were in print at a rate of 46% (113/248), which seemed quite high for books with a median publication date of 1968, nearly fifty years ago.[77] Of those 248 books, fifty-three of them were published as solo ebooks (i.e., they had no corresponding print volume for sale). This percentage was also unusually high in light of prior research.[78] Strikingly, of the fifty-three solo ebooks, forty-five were offered by independent publishers, not by the original copyright transferee. Keep in mind that none of the copyrights to the 248 books were eligible for statutory termination by the authors' estates. With the original publisher presumptively still controlling the copyright, the natural question was why 18% (45/248) of the entire sample was in print only in digital format and not from the original publisher?

A clue was found in the business model descriptions on the web sites of the independent publishers offering the forty-five titles. By the far the most prominent, Open Road Media, explained:

> We are committed to bring back the backlist, making reverted titles and works that have never been converted to digital format widely available as ebooks . . . This program is for authors whose rights have reverted, whose titles have not previous been digitized, or who are looking to have their works available as ebooks.[79]

Open Road did not publish bound volumes of books at the time of the study, but instead sold ebooks exclusively. As the quote suggests, it obtains rights from authors and estates, not from other publishers. A number of other prominent independent publishers of ebooks follow a similar model, intentionally targeting books that major publishers are no longer making available.[80]

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76 283 F.3d 490 (2d Cir. 2002).

77 The majority of these books never cracked a weekly top-ten *NYT* bestsellers list.

78 *See* Heald, *supra* note 38, at 852–53 (26/950 *NYT* reviewed books available solely in ebook format with no corresponding print volume).

79 *See* Paul Heald, *Readers and Book Markets Benefit from Authors Reclaiming Their Rights*, AUTHORS ALLIANCE (Apr. 3, 2018), https://www.authorsalliance.org/2018/04/03/readers-and-book-markets-benefit-from-authors-reclaiming-their-rights (quoting the former Open Road Media website).

80 *See About Mysterious Press*, MYSTERIOUS PRESS, http://mysteriouspress.com/about-us (last visited Jan. 16, 2019) ("The books offered by MysteriousPress.com are currently out of print but protected by copyright, and will take advantage of digital reading formats to bring classic fiction to new audiences."); *About Us*, ROSETTABOOKS, https://www.rosettabooks.com/about-us (last visited Jan. 16, 2019) ("The company launched in 2001 with a list of 100 preeminent digital backlist titles. Today the company's 800-plus title list includes classic eBooks of every category."); *About*, CROSSROAD PRESS, http://crossroadpress.com/about (last vis-

This exploitation of authors' backlists is, of course, precisely what Professor Kretschmer predicted would be the result of the operation of reversion statutes.[81] In this particular case, however, §§ 203 and 304 are not doing the work. Instead, the Second Circuit's opinion in *Rosetta Books* is likely to have stimulated an ebook market that seems to be responsible for 18% of the titles in the sample. A brief description of the case shows how it functions to establish a type of rights reversion to authors.

In the late 1990's, before major book publishers were fully exploiting the market for ebooks, Rosetta Books contacted Kurt Vonnegut and William Styron and offered to market digital versions of their most famous works. Despite the fact that both authors had previously signed away all rights to their works "in book form" to Random House, they contracted with Rosetta to publish ebook versions of their novels. Random House, arguing quite persuasively that ebooks should be considered to be "in book form" under their contracts with Vonnegut and Styron, sought an injunction to prevent Rosetta from publishing the titles. In 2001, the district court sided with Rosetta, finding, perhaps counterintuitively, that an ebook was not a work "in book form" and denying injunctive relief.[82] In 2002, the Second Circuit refused to overturn the district court,[83] creating

ited Jan. 16, 2019) ("The original intent was simply to bring my own out of print books to Kindle and other eReaders . . . . We are now a growing, widely distributed digital publishing company with over 1600 titles."); *About*, eNET PRESS, https://www.cnetpress.com/#!/about (last visited Jan. 16, 2019) ("eNet Press was created by the sons of C.S. Forester, George and John Forester, in 2011. Their first effort was to publish all twelve volumes of the Hornblower Saga . . . . Today, eNet Press focuses on publishing the works of other great authors, such as: Taylor Caldwell, John Collier, Richard Bissell, Samuel Shellabarger and Thorne Smith to name a few."); VALANCOURT BOOKS, http://www.valancourtbooks.com/our-history.html (last visited Jan. 16, 2019) ("Valancourt Books is an independent small press specializing in the rediscovery of rare, neglected, and out-of-print fiction."); JABBERWOCKY LITERARY AGENCY, http://awfulagent.com/ebooks (last visited Jan. 19, 2016) ("We've been working to make some of our clients' books available as e-books. In some cases, these are hard-to-find, out-of-print titles that we'd hate to see forgotten, and in other cases we've partnered with our clients to publish e-book exclusives."); WILDSIDE PRESS, http://wildsidepress.com/estates (last visited Jan. 19, 2019) (listing estates represented by the press); *see also* GREAT NORTHERN BOOKS, https://www.gnbooks.co.uk (last visited Jan. 16, 2019); HOUSE OF STRATUS, http://www.houseofstratus.com (last visited Jan. 16, 2019); FIFTH STAR PRESS, https://fifthstarpress.wordpress.com (last visited Jan. 16, 2019); ODYSESSY PRESS, http://www.theodysseypress.com/about-us (last visited Jan. 16, 2019).

[81] *See supra* note 10.

[82] Random House, Inc. v. Rosetta Books, LLC, 150 F. Supp. 2d 613 (S.D.N.Y. 2001).

[83] 283 F.3d 490 (2d Cir. 2002).

the opportunity for Rosetta, and other publishers,[84] to seek out other living authors and the estates of deceased authors, who wanted to exploit digitally their back catalogs.

At the time, *Variety* reported that "The [*Rosetta*] case . . . electrified literary circles."[85] Even before *Rosetta Books*, some authors may have assumed that the language of their publishing contracts would not be interpreted to include ebooks; however, given precedent in the Second Circuit at the time, such an assumption seems unlikely. Just four years earlier, the Second Circuit had concluded that Disney, not the estate of Igor Stravinsky, owned the rights to record the *Rite of Spring* as it appeared in a new technology: the video cassette version of the movie *Fantasia*.[86] The decision seemed clearly to signal that a broadly worded agreement would usually inure to the benefit of the original publisher of the work, not the author. Video cassette and digital technology did not exist when Disney acquired its license from Stravinsky in 1939 to use his music in a traditional film meant for theaters. The unexpected advance in technology did not convince the court to find that unforeseen changes benefitted an author instead of its transferee. The video cassette and digital markets were not foreseen by the parties, and the court placed the burden squarely on the author to show that forms of the work embodied in new technology were not transferred in the original agreement.[87]

Given the *Disney* case, it is unlikely that too many authors and/or their agents confidently assumed that the development of a new technological means to read a book meant that prior broadly worded contracts with publishers could be ignored. *Rosetta* was likely a surprise and shock to the market,[88] and the case worked a functional reversion of rights to some authors, a chance for them to renegotiate, switch publishers, self-publish, or revive their back catalogs, exactly as predicted by advocates of aggressive statutory reversion schemes. Even a brief perusal of the business models of active independent ebook publishers[89] reveals numerous authors taking advantage of this new bite at the apple.

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84 *Id.*

85 Jonathan Bing, *Inside Moves*, VARIETY, July 8, 2001, at 8.

86 Booscy & Hawks Music Publishers v. Walt Disney Co., 145 F.3d 481 (2d Cir. 1998).

87 *Id.* at 487 ("The words of Disney's license are more reasonably read to include than to exclude a motion picture distributed in video format. Thus, we conclude that the burden fell on Stravinsky, if he wished to exclude new markets arising from subsequently developed motion picture technology, to insert such language of limitation in the license, rather than on Disney to add language that reiterated what the license already stated.").

88 Jim Milliot, Calvin Reid, & Steven Zeitchik, *Court Denies Random Bid to Block Rosetta Ebooks*, 248 PUBLISHER'S WKLY. 67 (July 16, 2001).

89 *See Random House*, 283 F.3d 490 and sources listed therein.

The most famous authors, of course, did not need *Rosetta* to revive their back catalogs. Vonnegut and Stryon's bound volumes were in print with Random House, who would surely have eventually published digital version of their works. Few authors, however, have the staying power of Kurt Vonnegut, and *Rosetta* gave lesser known authors the ability to find independent publishers willing to bring their books back into print in ebook form.

The data strongly suggests a *Rosetta* effect — of the 102 ebook editions identified in the data set of 248 non-reverted books, forty-five (44%) were produced by an independent publisher and exist as the sole edition available on the market. The lack of companion bound editions of these forty-five ebooks suggests that authors who were unable to convince disinterested publishers to bring titles back into print used *Rosetta* to cut ebook-only deals with new publishers or to self-publish.[90]

From a statistical standpoint, the effect of "reversion" under *Rosetta* has a significant effect on the analysis of the entire data set. In the initial analysis of the fifty-six-year reversion rule described above, publishers were credited with keeping the titles in print at a rate of 46%. However, that rate included the forty-five *Rosetta* books, all of which seem to be in print due to the efforts of authors rather than their original publishers. If we subtract those forty-five books from the publishers' total, then the in-print rate for the publisher-controlled books drops to 27% (68/248), a rate that is statistically significantly lower than the 40% rate for 521 reversion-eligible titles subject to author control.[91]

2. *Availability of Books Under the Fifty-Six-Year Reversion Rule*

The fruitfulness of the inquiry into the origin of the 45 solo ebooks among the 248 reversion-ineligible titles identified above prompted an analysis of the publishers of all 819 titles. Each book, whether reversion-eligible or reversion-ineligible, was categorized as:

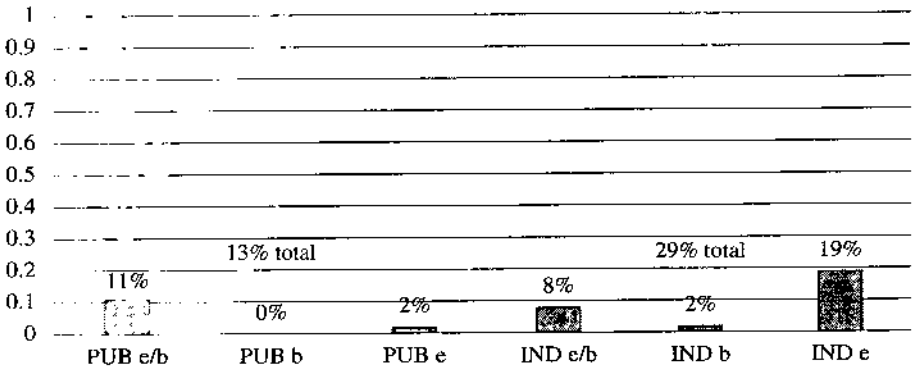
PUB e/b (ebook and bound volume offered by original publisher)
PUB b (bound volume only offered by original publisher)
PUB e (ebook only offered by original publisher)
IND e/b (ebook and bound volume offered by independent press)
IND b (bound volume only offered by independent press)
IND e (ebook only offered by independent press)

[90] For example, a search on Amazon on December 4, 2017, for Kindle books published by Open Road Media returns 3,047 editions. The data reveal very little evidence of self-publishing in this data — John Hersey is an outlier.

[91] The chi-square statistic is 11.4169. The p-value is .000728, and the result is significant at $p < .05$.

Figure 4 sets forth the status of the 248 reversion-ineligible titles and permits calculation of the total percent of in-print titles offered by the original publisher (including successor firms) or by a new, independent press.

Figure 4: Titles Not Eligible for Reversion Under the Fifty-Six-Year Rule
248 Reversion-Ineligible



Strikingly, original publishers kept only approximately 13% of the titles in print in 2017, while newer independent publishers (listed in footnote 80) kept 29% of the titles in print. The column labeled "IND e" represents the "Rosetta" books in the data set (19%), the likely result of authors being freed to find new independent publishers willing to bring their works back in print as ebooks.

Especially notable are the 8% of titles published by independent publishers available in both digital and bound form (IND e/b). None of the books in this data set are reversion eligible, and bound volumes are not affected by *Rosetta*, so what would explain the movement of bound volume publishing from the original publisher to an independent press? It is possible, but unlikely, that the rights were purchased,. The independent presses do not acknowledge purchasing rights, but rather emphasize their direct relationships with authors, as opposed to other publishers, and their taking advantage of rights reversion. The best explanation may be a "nudge"[92] provided by impending rights reversion. Under § 304, an author can send official notice to the original transferee up to ten years before an upcoming termination date.[93] Publishers with no intention of bringing old titles back into print may be acquiescing to early republication by another party.

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92 *See* RICHARD THALER & CASS SUNSTEIN, NUDGE: IMPROVING DECISIONS ABOUT HEALTH, WEALTH, AND HAPPINESS (2008).

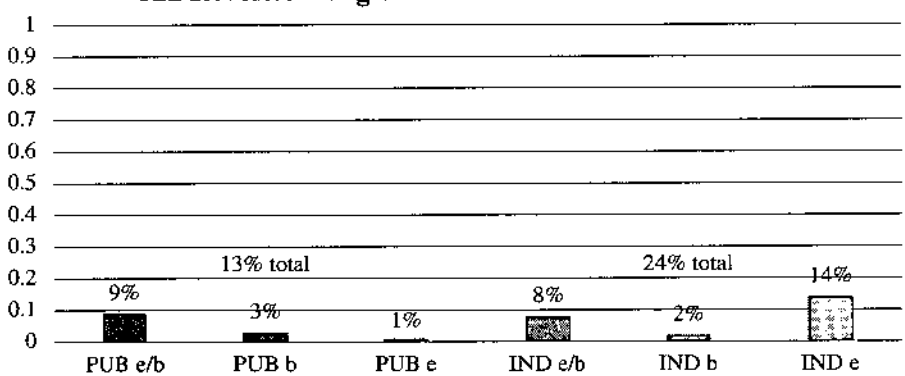
93 *See* 17 U.S.C. § 304(c)(4)(A) (2012).

The "nudge" provided by written notice to the original publisher might also explain some of the titles in the "PUB e/b" category. When confronted with formal notice, the original publisher may reconsider the market for a book and make one of three responses. First, if the market for the title looks inadequate under the publisher's business model, the publisher may refuse to bring the book back into print and may also refuse to allow publication by others. Second, the publisher may acquiesce to third-party publication. Third, nudged by the notice, the publisher may regain interest in the book and bring it back into print. Under this third scenario, a § 304 nudge may be responsible for some of the availability of the 11% of titles in the "PUB e/b" category.

The story is much the same when one considers the larger data set of 521 reversion-eligible works.

Figure 5: Titles Eligible for Reversion Under the Fifty-Six-Year Rule

521 Reversion Eligible Titles: Percent in Print 2017



Interestingly, original publishers kept the same number of works in print as in Figure 4, about 13%. This may establish a baseline level of interest in books from this era under the business model of the typical traditional publisher. Presumably, original publishers choose to keep in print the most desirable titles, leaving the rest for independent publishers. In addition, the original publishers almost certainly get first choice of titles. When Random House calls and says that it would like to bring a book back into print, it seems unlikely that the response from an author or an estate would frequently be, "No, thanks, I'll switch to a new press without the massive reputation, resources, and prestige of Random House." Nonetheless, some of the "IND e/b" titles might represent defectors whose books would have been offered by their original publishers, even in the absence of reversion eligibility.

The percentage of reversion eligible books offered by independent presses dropped slightly, from 29% to 24%, still a significantly higher per-

centage than offered by the original publisher. As a result of *Rosetta*, some of the digital-only versions of these works may have appeared before reversion eligibility, but disentangling the *Rosetta* effect from a § 304 effect is difficult. Since *Rosetta* does not affect bound volumes, one can assume that the 8% of "IND e/B" titles and the 2% of "IND B" titles were prompted by rights reversion. However, for the 14% of titles (IND E) where no bound volume accompanies the ebook, one can only guess whether the existence of the digital version is due to the formal statutory termination of rights or informal "reversion" under *Rosetta*. What prompted the ebook cannot be accurately discerned, but the prominence of ebook-only volumes remains constant in all of the upcoming analyses.

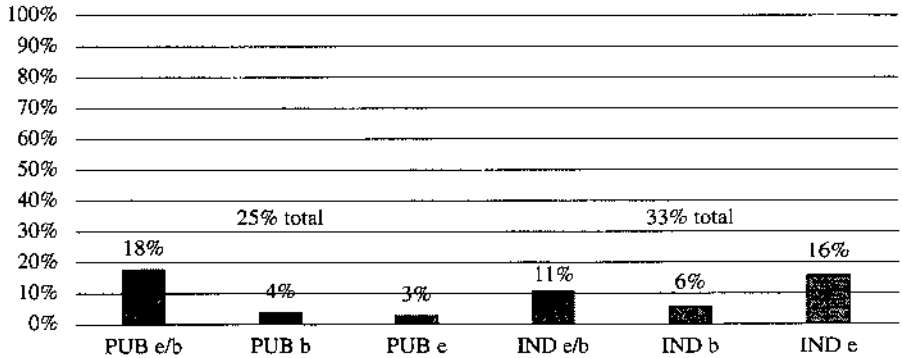
B. 689 NYT *Bestsellers: Testing the Effect of § 304, § 203, and Rosetta*

The second data set allows for a neat comparison of all three types of rights-shifting regimes. Five groups of *NYT* bestselling titles were initially published from 1956-59, 1963-66, 1974–77, 1978–81, and 1983–86. The copyrights in the books published from 1956-59 were subject to reversion fifty-six years after publication (from 2012–15) under § 304. Books published from 1963-66 were not reversion eligible in 2017 when the research was conducted. The copyrights in the books published from 1978–81 were subject to termination in year thirty-five after publication under § 203 (from 2013–16), and those titles are sandwiched by reversion ineligible works published from 1974–77 and from 1983-86. All reversion ineligible titles were examined for a *Rosetta* effect. In 2017, the books were in-print at the following rates: 1956–59 (63%), 1963–66 (69%), 1974–77 (81%), 1978–81 (88%), and 1983–86 (88%). This continuous rise in availability, regardless of reversion eligibility, may be due to relative recency of publication or due to the fact that the older titles were likely to have been originally embodied in non-digital form, i.e., mechanically typeset. In other words, books published in the 1980s should be cheaper to bring back into print if the publisher can find a digital file to work from, as opposed to scanning and reformatting an old bound volume, which must be done with works from the 1950s and 1960s.

1. 269 NYT *Bestsellers Published from 1956–59 & 1963–66 and § 304 Redux*

All 148 *NYT* bestsellers originally published between 1956–59 were reversion eligible under the fifty-six-year termination rule of § 304, which created the opportunity for authors' estates to take control of the copyrights during the years 2012–15. Figure 6 below sets forth the distribution by publication type.

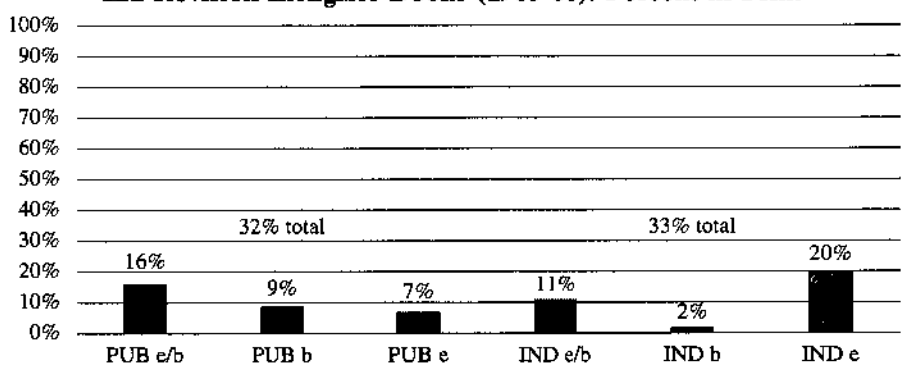
Figure 6: Bestsellers Eligible for Reversion Under Fifty-Six-Year Rule
148 Reversion Eligible Books (1956-59): Percent in Print 2017



Original publishers kept 25% of the reversion-eligible titles in print in 2017, while independent presses were responsible for 33% of the availability. Independent publishers offered 17% of the titles in the form of a bound volume, indicating that § 304 reversion is at work, because in the absence of reversion, the copyright in bound volumes would be retained by the original publisher (or its corporate descendants). Once again, it is difficult to know how many of the digital-only titles offered by independent publishers were prompted by statutory reversion or by *Rosetta*.

Figure 7 turns to the books, four years newer on average, that were not yet subject to reversion under § 304 in 2017.

Figure 7: Bestsellers Ineligible for Reversion Under 56-Year Rule
121 Revision-Ineligible Books (1963-66): Percent in Print



The number of reversion ineligible works offered by original publishers rises to 32%, with independent publishers make 33% available. Once again, a reversion nudge might be seen in the 11% of titles made available as both bound volumes and ebooks by independent publishers, an indica-

tion that the original publisher may have acquiesced. In addition, a clear *Rosetta* effect is found. Of the reversion-ineligible titles from 1963–66, 20% were solo ebooks offered by independent publishers, i.e., *Rosetta* books. If we subtract these twenty-two books from the total, then the in-print rate for the reversion-ineligible 1963-66 books drops to a significantly lower rate than that for the reversion-eligible sub-set in Figure 6.[94] Interestingly, the percentage of *Rosetta* books in the entire sample of 121 non-reverted books is 20%, similar to the 18% rate shown in Figure 4.

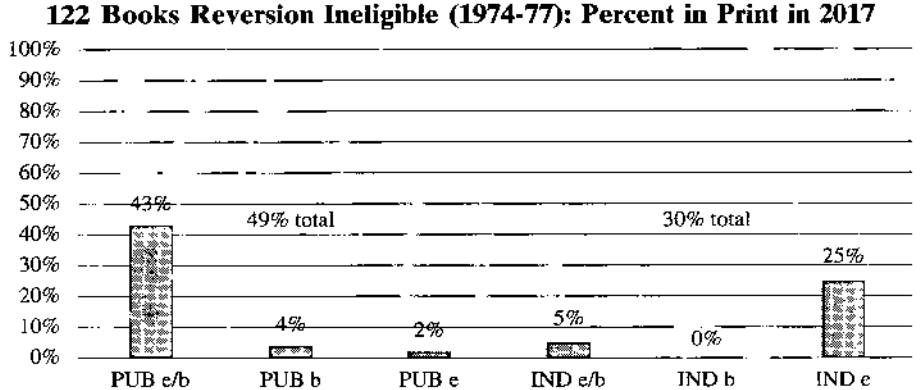
2. NYT *Bestsellers Published from 1974-77, 1978-81, & 1983-86 and § 203*

By 2017, all 129 books published between 1978–81 were eligible for termination under the thirty-five-year rule of § 203. They are neatly sandwiched between two sets of reversion ineligible works originally published between 1974–77 (122 titles) and 1983–86 (170 titles). The works from 1978–81 are in print at a rate of 88%, while the aggregate in-print rate of the 1974–77 and 1983–86 books is 85% (248/292), an insignificant difference. Once again, however, we see a significant *Rosetta* effect on the in-print rate. Of the 292 non-reverted titles, 48 (16%) are solo ebooks offered by independent publishers, very similar to the rates of 20% and 18% calculated in the prior sections. If the availability of the *Rosetta* books is not credited to the original publisher, then the in-print rate for the 1974–77 and 1983–86 books drops to 68%, which is significantly lower than the 88% rate for the reversion eligible works.

A more granular look at all three data sets, contained in Figures 8, 9, and 10 below, confirms most of the trends that were already identified.

Figure 8: Bestsellers Ineligible for Reversion Under Fifty-Six-Year Rule

122 Books Reversion Ineligible (1974-77): Percent in Print in 2017

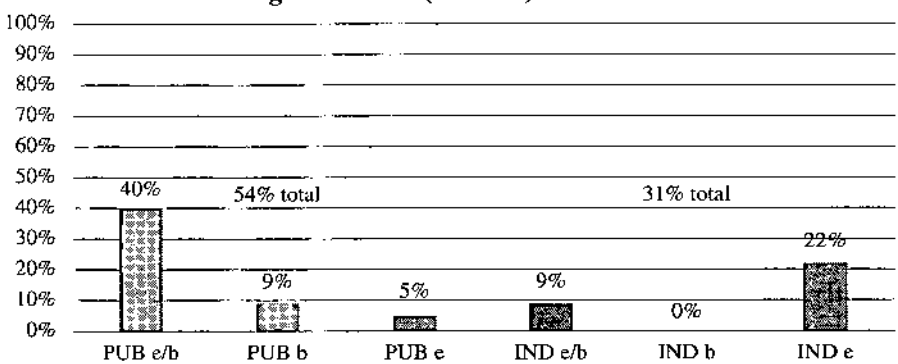


[94] The chi-square statistic is 3.6673. The p-value is .055491. The result is *not* significant at $p > .05$.

Figure 8 shows the increasing interest publishers show in keeping this newer set of titles in print (49%), for the first time surpassing the percent that independent publishers offer (which remains quite steady at 30%). This data set shows the most significant *Rosetta* effect, with 25% of the titles being offered only as ebooks by independent publishers. The reversion nudge is smaller here, only 5% "IND e/b" titles, perhaps because the oldest of the titles in the dataset will not be subject to termination until 2030 (1974 + 56 = 2030), meaning that no termination notices have yet been sent. Authors can, of course, ask for their rights back at any time.

Figure 9 below provides the first look at the effect of the thirty-five-year reversion rule of § 203.

Figure 9: Bestsellers Eligible for Reversion Under Thirty-Five-Year Rule
129 Reversion Eligible Books (1978-81): Percent in Print in 2017



Once again, the in-print rate of titles offered by independent publishers remains steady at approximately 31%, while the percentage of titles offered by original publishers rises to 54%. As we have seen in every figure so far, the number of solo ebooks offered by independent publishers (22%) is considerably higher than solo ebooks offered by traditional publishers (5%). One can only guess, however, which of the 22% were prompted by § 203 or by *Rosetta*.

Figure 10: Bestsellers Ineligible for Reversion Under Thirty-Five-Year Rule

170 Reversion-Ineligible Books (1983-86): Percent in Print 2017

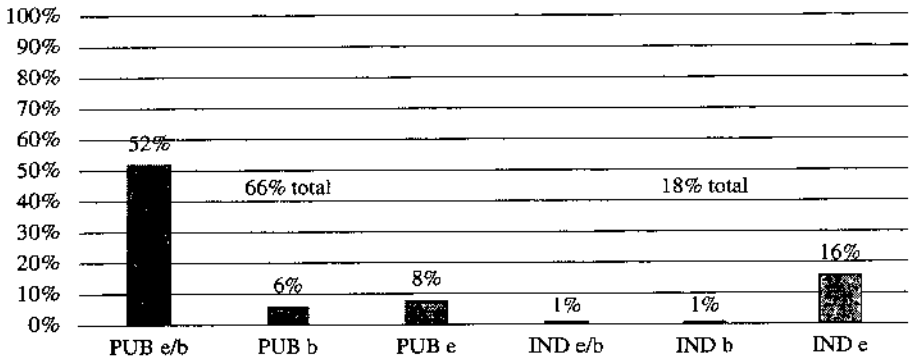
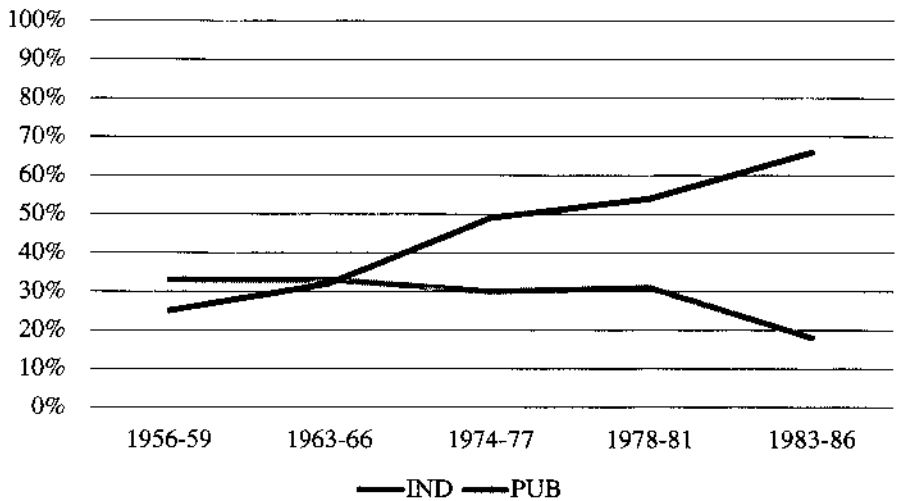


Figure 10 affirms the increased interest by publishers in making the most recent books available, reaching a point where titles made available by independent publishers (18%) begin to be crowded out. Of course, a downward trend in the critical "IND e" category may be due to original publishers having written broader contracts to include the potentially foreseeable market for digital books. In other words, independent publishers relying on *Rosetta* may have found fewer authors from the 1983–86 era who signed contracts that did not cover ebooks in addition to bound volumes.

C. *Comparing the Fifty-Six-Year and Thirty-Five-Year Rules*

Policymakers considering employing some form of reversion as a tool for increasing the availability of out-of-print works may be curious as to the comparative effectiveness of the two U.S. statutory schemes. One way to assess the rules is to consider the share of the market of available books each rule captures after the original publisher takes the first bite at the apple. If Random House wants to keep a book in print or bring a book back into print, few authors are likely to turn their backs and run to an independent publisher. Traditional publishers seem to take the cream of the crop, as suggested by Figure 11 below.

Figure 11: Comparative Market Share in 2017 of Bestsellers by Traditional and Independent Publishers

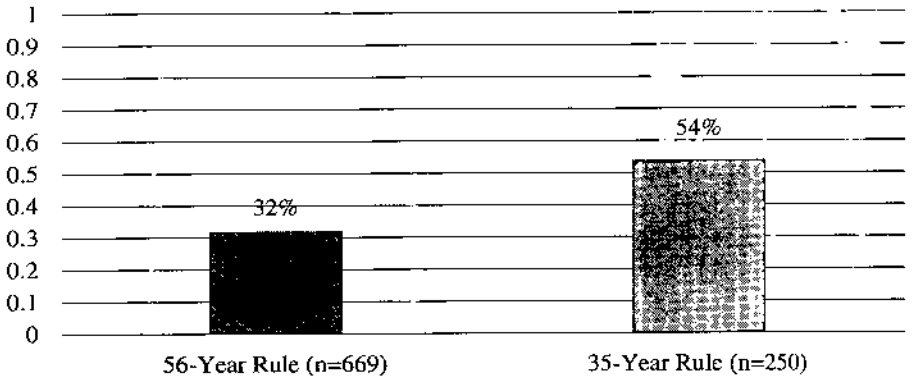


Publishers gain no greater rights from 1956 to 1986. In fact, given *Rosetta*, their position arguably weakened; yet, their 2017 market share of books was consistent with the assumption that newer books retain more value and are therefore more desirable to publish. Large traditional publishers seem to get first choice, leaving a diminishing share of the market available to independent presses.

Figure 12 below illustrates what percentage of the 2017 market is taken by independent presses offering reversion-eligible books under the fifty-six-year rule and what percentage of the market is taken by those publishing reversion-eligible books under the thirty-five-year rule. The "market" is defined as those titles left unexploited by traditional publishers.

Figure 12: Bestsellers Eligible for Reversion Under the Fifty-Six- and Thirty-Five-Year Rules

Reversion-Eligible Books' Share of Available Market in 2017



The result is not surprising. Those seeking to exercise their rights under § 304(c) must wait twenty-one years longer than those exercising rights under § 203. In addition, under § 203, the author will frequently benefit directly from the reversion, with the most likely alternative beneficiaries, being a surviving spouse or the children of the author. A single author or childless widow/widower faces no coordination problems in exercising the termination right. Children may face some difficulties under § 203, but they are likely to be fewer in number than the multiple generations of heirs who will more frequently be the beneficiaries under § 304. Coordinating heirs to accumulate the 51% necessary to exercise the right may pose serious difficulties under the complicated rules of § 304.[95]

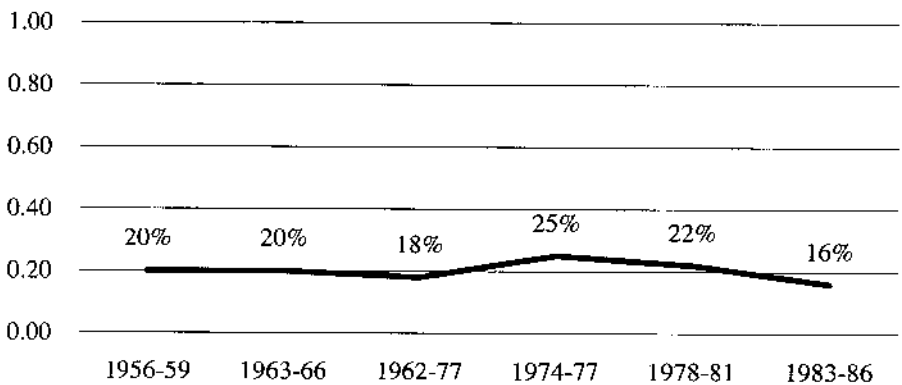
In addition, works that are only thirty-five years old at the time of reversion may, in general, retain more value than works that are fifty-six

[95] *See* 17 U.S.C. § 304(c)(2) (2012) ("Where an author is dead, his or her termination interest is owned, and may be exercised, as follows: (A) The widow or widower owns the author's entire termination interest unless there are any surviving children or grandchildren of the author, in which case the widow or widower owns one-half of the author's interest. (B) The author's surviving children, and the surviving children of any dead child of the author, own the author's entire termination interest unless there is a widow or widower, in which case the ownership of one-half of the author's interest is divided among them. (C) The rights of the author's children and grandchildren are in all cases divided among them and exercised on a per stirpes basis according to the number of such author's children represented; the share of the children of a dead child in a termination interest can be exercised only by the action of a majority of them. (D) In the event that the author's widow or widower, children, and grandchildren are not living, the author's executor, administrator, personal representative, or trustee shall own the author's entire termination interest.").

years old. Increased value may provide increased incentives to bring a work back into print. Finally, the extra twenty-one years may exacerbate notice problems. The longer one has to wait for a benefit, the more likely one will lack the notice necessary to take advantage of it.

Finally, the coordination, value, and notice factors discussed above may explain the consistently positive effect of the *Rosetta Books* decision. *Rosetta* effected a vast class of living authors, and for books of deceased authors, the benefit flowed to whomever was in control of the literary estate, a beneficiary typically more clearly identified in the author's will than by the complex divisional provisions to heirs in §§ 203 and 304. Rights coordination should be an insignificant problem under *Rosetta*. The decision was rendered in 2002, just at the beginning of the first decade of significant commercial digital distribution, and it came as a one-time exogenous shock to the market.[96] The case itself was well-known in the literary community. At a minimum, authors with agents would have been quickly apprised of their rights. Figure 13 below shows the *Rosetta* effect in relation to the initial publication date of the title.

Figure 13: The Rosetta *Effect on Several Book Populations*
Percent of *Rosetta* Books in 2017



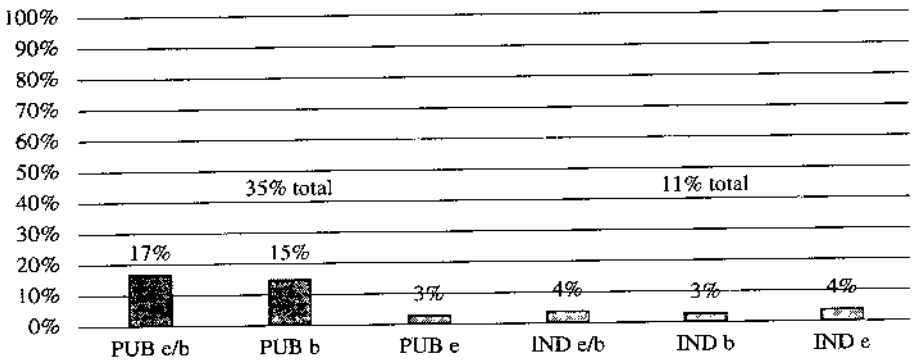
D. Dataset #3: 450 NYT*-Reviewed Books and the 17 U.S.C. § 203 Termination Right*

The final dataset contains fewer popular books and fewer bestsellers; yet, each book was notable enough to be reviewed in the *New York Times Book Review*. Fiction titles constitute 170 of the total, while non-fiction books constitute the remaining 280 titles. Of the 450 sampled books, 235 had initial publication dates between 1978–81, making them reversion-eli-

[96] *See E-book*, WIKIPEDIA, https://en.wikipedia.org/wiki/E-book (last edited Jan. 11, 2019).

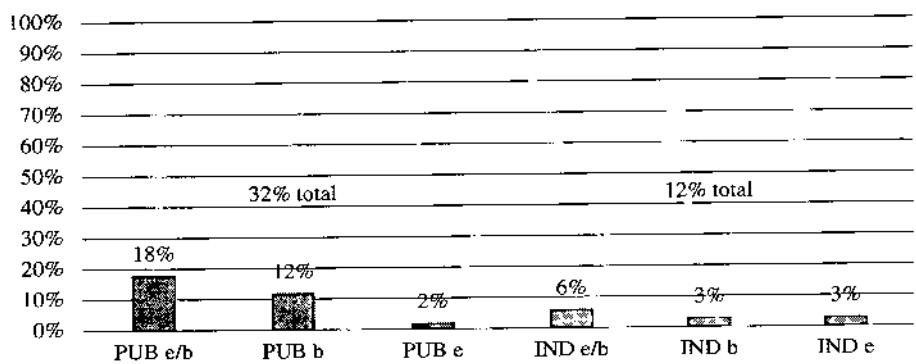
gible. The reversion ineligible sample of books reviewed from 1983–84 comprises the remaining 215 titles.

Figure 14: NYT-*Reviewed Books*
235 Books Reversion-Eligible (1978-81): Percent in Print 2017



In 2017, the original publisher offered 35% of the reversion eligible titles for sale, while independent publishers made only more 11% available. The sub-set of titles in which major publishers seem to have no interest may be undesirable even to small, independent presses with scavenging business models.

Figure 15: NYT-*Reviewed Books*
215 Books Reversion-Ineligible (1983-84): Percent in Print 2017



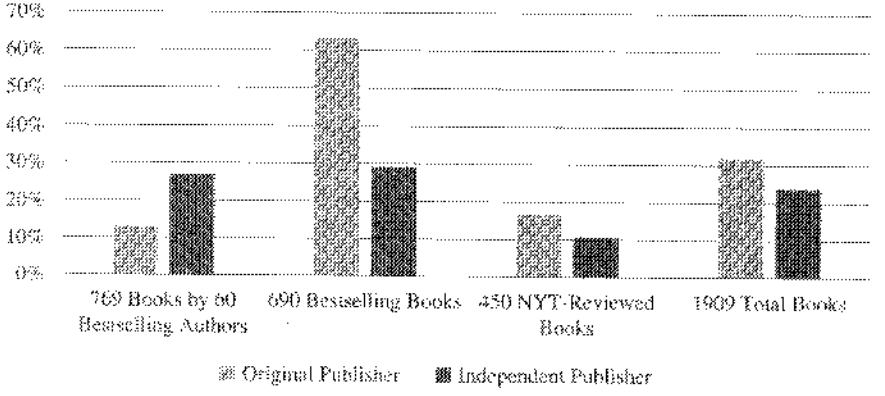
The sample of reversion-ineligible books follows the same basic publication pattern as the reversion-eligible books. Interestingly, the *Rosetta* books, categorized as "IND e," are fewer than the titles categorized as "IND e/b," which may well be in-print due to a reversion "nudge," given that the original publisher could theoretically still exercise control over the

copyright in the bound volume. *Rosetta* seems to play a significantly diminished role in this set of less-popular books.

E. Conclusion: Final Estimate

One can estimate the aggregate effect of both statutory schemes and *Rosetta* by combining the number of reversion-eligible titles published by independent presses with the number of reversion-ineligible titles published in ebook form only by independent presses (*Rosetta* books).

Figure 16: All Titles
Percent Books in Print (2017): Original Publisher v. Independent Publisher



Over the entire sample of 1,909 books, independent presses kept in print 239 (13%) of reversion-eligible titles. Independent presses kept in print a further 135 (7%) reversion-ineligible titles in ebook form only, an opportunity almost certainly created by *Rosetta*.[97] Although one cannot know precisely what a world without reversion would look like, at least 20% of the 1,909 books seem to be available due to statutory reversion and *Rosetta*. One might further consider the sixty-nine (3%) reversion-ineligible titles published by independent publishers as bound volumes. If those books are available as the result of a reversion "nudge," then one might credit the various reversion schemes with keeping in print a total of 23% of the total sample, as shown in the figure above.

IV. SUMMARY AND CAVEATS

As evidenced in APPENDIX A, numerous reversion schemes exist around the world, making it dangerous to draw universally applicable con-

[97] *See* notes 73-76 and accompanying text.

clusions from the data presented. Several tentative observations and caveats are therefore offered.

A. *Effect of Key Assumptions*

In the absence of querying all the authors (or heirs) and publishing houses in the data set, the discussion above assumes that the identity of the publisher in 2017 conveys valuable information about why a book is in print. If a title is in print with a traditional publisher, then the work is assumed to be unaffected by statutory reversion, even if the book came back into print immediately before rights might be terminated. Such a book may be in print because the author has written a letter providing the required statutory copyright termination notice to the publisher (the window for authors is ten years before the termination date).[98] At this point, the publisher, nudged by the termination notice, may take a new look at the market and decide to bring the book back in print. The threat of a *Rosetta* digital edition of a work may similarly prompt the original publisher to bring a title in print. Nonetheless, we assume no reversion or *Rosetta* effect for books offered by traditional large publishers.

On the other hand, the data analysis assumes that all reversion-eligible titles published by independent presses are in print because of termination. As seen in Figure 10 above, it seems clear that major publishers get the first choice to publish the most desirable books; nonetheless, some authors might feel disserved by traditional publishing models and deliberately choose an independent publisher. Or an independent publisher could theoretically purchase a title from a publisher who would otherwise make the title available, although the web sites of the independent presses give no indication that purchasing copyrights is part of their business models. In addition, some authors might convince their original publishers to relinquish a copyright outside of any reversion scheme. When all titles published by independent publishers are assumed to be in-print as the result of reversion eligibility, *Rosetta,* or a reversion nudge, then the overall effect is a 23% of the entire sample of 1,909 books. The assumption, which may magnify the reversion effect, may offset (or more than offset) the assumption that credits all books published by traditional publishers as unaffected by reversion. Omitting titles in the "reversion nudge" category reduces the effect to a 20% increase in availability.

B. *Do Works Fall out of Print After the Statutory Termination Date?*

One should consider the possibility that the threat of reversion caused some books to go out of print. Perhaps publishers, knowing that their rights would be subject to termination, let some titles go out of print. Or

[98] *See* 17 U.S.C. § 304(c) (2012).

after rights reversion, some author-beneficiaries may have failed to keep their books in print. The data shows little evidence of this. Of the 129 *NYT* reversion-eligible bestsellers in print thirty years after publication (five years before reversion), all were still in print in 2017. Of the 181 *NYTBR* reversion-eligible books in the first data set, only one title in print in year thirty was out of print in 2017.[99] When rights are eligible to pass from publisher to author, no evidence suggests that books begin to disappear. All movement appears to be in the other direction.

C. Failure to File

Under both §§ 203 and 304, an author seeking to perfect his or her termination right is required to notify the transferee of the copyright[100] and to make the proper filing with the Copyright Office.[101] In reality, authors seldom bother to pay the $105 filing fee required by the Copyright Office.[102] The failure to file may be rational. Once the original publisher has been notified, it typically acquiesces in writing to the author or the author's heirs. Large publishers are repeat players and understand that their rights are subject to termination,[103] and many of the reclaimed rights involve works that are no longer in print and of little interest to the publisher. A return letter acquiescing to termination provides plenty of comfort to an author or heirs, who then proceed to republish, often through an independent press. After all, an author or an author's heirs fear no other entity who might sue them for infringement as they proceed to exploit the reclaimed work.[104]

The Author's Alliance, a professional organization representing authors, maintains a rights reversion portal on its website[105] and presents rights reversion "success stories" of authors who have regained their rights and republished their works.[106] Not surprisingly, a search of Copyright Office records reveals that none of the featured authors had bothered to make the proper filing in order to perfect the termination of their original

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99 *See* HUMPHREY LYTTELTON, THE BEST OF JAZZ (1979).

100 *See* 17 U.S.C. §§ 203(a)(4), 304(c)(4) (2012).

101 *Id.* § 203.

102 *See Calculating Fees for Recording Documents and Notices of Termination in the Copyright Office*, COPYRIGHT.GOV, https://www.copyright.gov/fls/sl04d.pdf (last visited Jan. 16, 2019).

103 They will fight on work-for-hire grounds, however.

104 They should worry about creditors of the transferee.

105 *See Rights Reversion*, AUTHORS ALLIANCE, http://www.authorsalliance.org/resources/rights-reversion-portal (last visited Jan. 16, 2019).

106 *Rights Reversion Success Stories*, AUTHORS ALLIANCE (Apr. 17, 2018), http://www.authorsalliance.org/category/rights-reversions/rr-successes (interviewing six authors).

transfers.[107] To confirm the failure-to-file phenomenon, I checked the Copyright Office records for all 129 bestsellers initially published from 1978–81, all of which were potentially subject to § 203 termination. The copyrights in only eight of 129 of those books had been formally terminated via filing with the Copyright Office; yet, the same set of books saw an increase in availability of 43% at year thirty after publication to 88% in 2017. The data suggests that many authors take advantage of the termination right and bring books back into print without taking the final step of filing their interest.

D. The Thor Power Tool *Effect*

As noted in Figure 2 above, only 24% of 129 bestsellers from 1978–81 were available in bound volumes thirty years after their initial publication. This is a strikingly low number, given the fact that each title spent time on the *NYT* bestsellers list. One possible explanation for this figure — which obviously plays a role in the dramatic magnitude of increased availability to 88% — may well lay in a 1979 tax case, *Thor Power Tool Co. v. Internal Revenue Commissioner*.[108]

Without diving too deeply into the details of the case, the Court in *Thor Power Tool* clarified the application of rules governing the tax treatment of certain kinds of inventory, like books, that often have an actual value lower than their present sales price. At issue in *Thor Power Tool* was the tax treatment of old spare parts which might be offered for sale at $100, but in reality may have only had a scrap value of $10. The holding of the case, as far as it was relevant to book publishers, stated that any economic depreciation of the inventory could only be claimed when goods were finally disposed of, instead of being taken proportionally on a yearly basis. The case provided strong incentives for book publishers to liquidate their book inventory,[109] so the titles initially published before *Thor Power Tool* may have gone out-of-print more quickly as a result of the decision.[110] Of course, in today's era of print-on-demand publishing, publishers need not keep large inventories and the distorting incentive of *Thor Power Tool* presumably has a significantly diminished impact.

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107 Author's phone conversation two years ago with Professor Rebecca Giblin.

108 439 U.S. 552 (1979).

109 *See* Kevin O'Donnell, Jr., *How Thor Power Hammered Publishing*, SFWA (Jan. 5, 2005), http://www.sfwa.org/2005/01/how-thor-power-hammered-publishing.

110 Marcia Anderson et al., *The Thor Inventory Ruling*, 17 SERIALS LIBRARIAN 191 (1990) ("Plenum Press destroyed 322,000 books in order to claim a tax deduction.").

E. Potential Downside of Rosetta *and a Random Sample*

The *Rosetta Books* decision has so far been portrayed as an unalloyed good, a means by which authors gained access to their back catalogs and brought works back into print. It is possible, however, that the case had a negative effect on the market for bound volumes of a work. Imagine the publisher of a paperback edition of a book that is barely making a profit suddenly facing competition from a digital version of the same book published by the author or by an independent publisher licensed by the author. Could the ebook reduce the original publisher's profit margin so that the bound volume goes out of print? A cautionary tale might be books by Harold Robbins, one of the bestselling authors of the twentieth century,[111] whose books are for sale only in ebook form by Rosetta Publishing.[112] Did Robbins' ebooks, published by Rosetta, destroy the market for bound volumes?

Several factors suggest that *Rosetta* has had a minimal effect on the market for hard copy editions. Yes, a new competing digital version of a book will presumably decrease the sales of a bound volume if it were previously the only edition on the market. However, once the text of a bound volume is formatted and prepared for market, virtually all of the production costs are sunk. The marginal cost of printing an additional copy for the market is extremely low, and in the current era of print-on-demand production, a publisher can wait for an individual order before printing a book. In other words, publishers save little money by taking a bound edition out of print.

Second, the publisher of the bound edition of a book (usually the original transferee of the copyright) has a vested interest in also being the publisher of the digital version. The publisher knows the author and has expended resources in promoting the author and his or her books. Unless the author is dissatisfied with the publisher for some reason, an author should prefer to stay with his original publisher. In other words, the first publisher has an advantage in exploiting the digital market and will want to prevent damaging competition by being the sole purveyor of the title. It is possible that the original publisher may be outbid by someone else in the market, but this seems unlikely except in cases of very famous novelists, e.g. Kurt Vonnegut.[113] Of course, in cases where the author's works

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111 *Harold Robbins*, WIKIPEDIA, https://en.wikipedia.org/wiki/Harold_Robbins (last edited Dec. 10, 2018).

112 *See, e.g.*, HAROLD ROBBINS, THE CARPETBAGGERS (1961) (listed on Amazon.com, https://www.amazon.com/Carpetbaggers-Harold-Robbins-ebook/dp/B00AJGNIL8/ref=sr_1_8?s=books&ie=UTF8&qid=1503592509&sr=1-8&keywords=harold+robbins). (the Kindle version is the only new edition of this mega-bestseller available on Amazon.)

113 All of whose books are available in bound volumes.

are already out of print, one would expect no damage to the initial publisher from the appearance of a digital version.

Finally, an attempt at measuring the *Rosetta* effect in a random sample underlines its significance. I picked a year at random, 1987, and attempted to conduct a survey on Amazon of all novels in ebook form claiming that year of publication in order to determine what percent were solo ebooks published by an independent publisher. Using the Amazon advanced search function, I entered "1987" as the year of publication, "ebook" as the format, and "literature and fiction" as the subject matter category. The search produced a total of 209 editions meeting the criteria. After double-checking for the actual date of initial publication of each identified title, I determined that only seventy-seven of the 209 books were published sometime during the decade of the 1980s.[114] Taking these seventy-seven books as a sufficiently random sample, I identified eleven of the seventy-seven editions as solo ebooks that were self-published or published through an independent press. If 14% (11/77) of pre-2002[115] fiction ebooks constitute titles that would be unavailable but for *Rosetta*, then the case is doing substantial work and demonstrates how a mere change in ownership can directly and positively affect markets.

CONCLUSION

The lack of availability caused by long terms of copyright protection cannot be solved by decreasing the length of protection. Nearly universal membership in the Berne Convention means that a minimum term of life-of-the-author plus fifty years is here to stay. This study suggests, however, that shifting the ownership of a copyright from the initial transferee/publisher may, under the proper circumstances, result in the republication of out-of-print books. Of the sample of 1909 books collected, an estimated 20% to 23% of the titles are currently in print due to statutory reversion/termination statutes or the *Rosetta* case. Other studies will have to be conducted to estimate the optimal timing for rights reversion, but the U.S. experience provides some support for schemes that are easily understood by authors and that are short enough to prevent the fragmentation of rights and dissipation of value as works lay fallow in the hands of the origi-

114 Most data on Amazon is self-reported by publishers, and they typically report the year the current edition was published, not the year of initial publication. For example, the first book identified by Amazon as a 1987 publication was an edition of *Peter Pan*, initially published in 1911.

115 With the advent of the digital age, and spurred by *Rosetta*, publishers changed their agreements to make it clear that they obtain rights in all print and digital version of new works.

nal transferee. Given the wide variety of reversionary schemes around the world, the data necessary to craft an optimal regime may be just a few new studies away.

APPENDIX A: NON-U.S. LAW OF COPYRIGHT REVERSION AND TERMINATION

Country	**Statute**	**Reversion OR "Use It or Lose It"**	**Notes from Authorities**
United States	17 U.S.C. § 203(b)	Reversion	
Australia	OLD: *See* Copyright Act of 1911, section 5(2) (U.K.); Copyright Act of 1912 s 8 (No. 20, 20 Nov. 1912) (Austrl.) [where the Australian Act sets out that the British Copyright Act is in force in the Commonwealth] NEW: Copyright Act of 1968 § 239(4) (Austl.)	Time-limited Reversion (25 years after author's death)	• "There are two situations in the Copyright Act where copyright will revert to an author or to the author's estate after assignment or other such transfer. It is important to note, however, that these reversions only apply to "old" copyrights subsisting at the time the Copyright Act 1968 came into operation on May 1, 1969. It is necessary to distinguish two periods: the first between July 1, 1912, and May 1, 1969, when the Copyright Act of 1911 was in force; and the second before the 1911 Act came into force on July 1, 1912." 1-AUS INTERNATIONAL COPYRIGHT LAW AND PRACTICE AUS § 4 (2016) • "In Australia the right is available for grants made by the author on or before May 1, 1969." LISA A. ALTER, BRITISH REVERSIONARY RIGHT (3d ed., 2012)

Country	Statute	Reversion OR "Use It or Lose It"	Notes from Authorities
Austria	§ 29(1) UrhG 1936 (Austria)	"Use It or Lose It"	"In Austria and Germany, the right of revocation of a grant for non-exercise is not applicable to the right granted to the film producer." PASCAL KAMINA, FILM COPYRIGHT IN THE EUROPEAN UNION 212 (Cambridge Univ. Press, 2d ed., 2016)
Belgium	Code de droit économique art. XI.167, XI.196 (Belg.)	"Use It or Lose It"	"There is no general rule in Belgian law allowing copyright transfers to lapse automatically or providing for a form of automatic reversion of rights to the author. However, in the case of publishing contracts, rights automatically revert to the author (1) if the publisher fails to comply with his obligation to publish within the contractually stipulated deadline, or within whatever deadline fair practice would dictate if none is stipulated, and (2) if the publisher is not able to give a legitimate reason for the delay." 1-BEL INTERNATIONAL COPYRIGHT LAW AND PRACTICE BEL § 4 (2016)
Canada	Copyright Act § 14(1) (Can.)	Reversion (25 years after author's death)	"Canada retains the UK's 1912 to 1957 structure for all transfers — even current ones." David M. Given, *US Copyright Termination: Re-Monetization's Final Frontier*, 11 J. IN-

Country	Statute	Reversion OR "Use It or Lose It"	Notes from Authorities
			TELL. PROP. L. & PRAC. 826, 828 (2016)
Denmark	Consolidated Act on Copyright 2014 ch. 3, art. 54 (Den.)	"Use It or Lose It"	"In Denmark, Finland and Sweden, the author may cancel the agreement if the assignee has not exploited the work within a reasonable time or at the latest five years after the date when the agreement was performed by the author." PASCAL KAMINA, FILM COPYRIGHT IN THE EUROPEAN UNION 212 (Cambridge Univ. Press, 2d ed., 2016)
Finland	Copyright Act 1961, art. 33-34 (Fin.)	"Use It or Lose It"	"In Denmark, Finland and Sweden, the author may cancel the agreement if the assignee has not exploited the work within a reasonable time or at the latest five years after the date when the agreement was performed by the author." PASCAL KAMINA, FILM COPYRIGHT IN THE EUROPEAN UNION 212 (Cambridge Univ. Press, 2d ed., 2016)
France	Code de la propriété intellectuelle art. 121-4 (Fr.)	"Use It or Lose It"	"Article L. 121-4 of the French CPI includes two very specific provisions on the right to withdraw from an agreement or change the work: droit de retrait and droit de repentir. Such rights form part of the moral rights of authors and are not as such a contractual protection of the au-

Country	Statute	Reversion OR "Use It or Lose It"	Notes from Authorities
			thor, but might have the same result as the reversion right known in other legislations. They enable an author to depart from the terms of an assignment agreement for intellectual, aesthetic or moral reasons. The rights to withdrawal (droit de retrait) and modification (droit de repentir) give the author the ability to correct or retract a work even after publication." SÉVERINE DUSOLLIER ET AL., CONTRACTUAL ARRANGEMENTS APPLICABLE TO CREATORS: LAW AND PRACTICE OF SELECTED MEMBER STATES 78 (Citizens' Rights and Constitutional Affairs, Policy Department ed., 2014)
Germany	Copyright Act of 9 Sept. 1965, BGBl. I at 3037, § 41 (Ger.)	"Use It or Lose It"	• "In Germany and Poland, an author may terminate a contract if his work no longer reflects his beliefs, or if exploitation is made contrary to their fundamental interest." David M. Given, *US Copyright Termination: Re-Monetization's Final Frontier*, 11 J. INTELL. PROP. L. & PRAC. 826, 828 (2016) • "'Use it or lose it' provisions are currently in force in some EU Member States for au-

Country	Statute	Reversion OR "Use It or Lose It"	Notes from Authorities
			thors' rights (Belgium, Germany and Spain among those surveyed in the present study, and additionally Austria, Luxemburg, Nordic Countries and Portugal." SÉVERINE DUSOLLIER ET AL., CONTRACTUAL ARRANGEMENTS APPLICABLE TO CREATORS: LAW AND PRACTICE OF SELECTED MEMBER STATES 77 (Citizens' Rights and Constitutional Affairs, Policy Department ed., 2014) • "Authors have an unwaivable right, in Germany and Hungary, to revoke the exploitation rights if the transferee does not exploit the rights transferred. Some differences exist between the time limits and procedures set to exercise this right. In Germany the author cannot exercise her 'revocation' right before the expiration of two years from the transfer of the exploitation right; the same happens in Hungary for long term contracts." SÉVERINE DUSOLLIER ET AL., CONTRACTUAL

Country	Statute	Reversion OR "Use It or Lose It"	Notes from Authorities
			ARRANGEMENTS APPLICABLE TO CREATORS: LAW AND PRACTICE OF SELECTED MEMBER STATES 77 (Citizens' Rights and Constitutional Affairs, Policy Department ed., 2014) • "In Germany, however, the author is required to indemnify the person affected by the revocation if and to the extent required by equity." SÉVERINE DUSOLLIER ET AL., CONTRACTUAL ARRANGEMENTS APPLICABLE TO CREATORS: LAW AND PRACTICE OF SELECTED MEMBER STATES 77 (Citizens' Rights and Constitutional Affairs, Policy Department ed., 2014) • "In Germany for instance, authors are entitled to terminate the contract earlier if the work no longer reflects their convictions or if the rightholder does not exercise the right or only does so insufficiently and this significantly impairs the author's legitimate interests. In these two cases, the author will have to compensate the transferee if

Country	Statute	Reversion OR "Use It or Lose It"	Notes from Authorities
			and insofar this is fair and equitable. A similar system applies in Poland." SÉVERINE DUSOLLIER ET AL., CONTRACTUAL ARRANGEMENTS APPLICABLE TO CREATORS: LAW AND PRACTICE OF SELECTED MEMBER STATES 77-78 (Citizens' Rights and Constitutional Affairs, Policy Department ed., 2014) • "[T]he copyright law of Germany, governing German rights where protection is sought in Germany, does not recognize any renewal term or reversion." 2-GER INTERNATIONAL COPYRIGHT LAW AND PRACTICE GER § 3 (2016) • "German law does, however, provide for special author-protective rules, some mandatorily applying to German contractual exploitation." 2-GER INTERNATIONAL COPYRIGHT LAW AND PRACTICE GER § 3 (2016)
Hong Kong	Competition Ordinance, Cap. 619 L.H.K., effective December 14, 2015	Historical Reversion (25 years after au-	"The Copyright Ordinance lacks any right of reversion. But the U.K. Copyright Act 1911, which ap-

Country	Statute	Reversion OR "Use It or Lose It"	Notes from Authorities
	(H.K.) (See Copyright Ordinance, Sched. 2, para. 26) (H.K.)	thor's death)	plied to Hong Kong until 1972, does provide for reversion in limited cases. The relevant provision in Section 5(2) of the 1911 Act remains effective in Hong Kong as regards assignments made before December 12, 1972. In such cases, an assignment made by an author who was the first owner of copyright — that is, not an employee — reverts to that person's personal representative 25 years after his death; however, this rule does not apply to collective works." 2-HK INTERNATIONAL COPYRIGHT LAW AND PRACTICE HK § 4 (2016)
Hungary	Act LXXVI of 1999 on Copyright, art. 51-54 (Hung.)	"Use It or Lose It"	"Authors have an unwaivable right, in Germany and Hungary, to revoke the exploitation rights if the transferee does not exploit the rights transferred. Some differences exist between the time limits and procedures set to exercise this right. In Germany the author cannot exercise her 'revocation' right before the expiration of two years from the transfer of the exploitation right; the same happens in Hungary for long term contracts." SÉVERINE DUSOLLIER ET

Country	Statute	Reversion OR "Use It or Lose It"	Notes from Authorities
			AL., CONTRACTUAL ARRANGEMENTS APPLICABLE TO CREATORS: LAW AND PRACTICE OF SELECTED MEMBER STATES 77 (Citizens' Rights and Constitutional Affairs, Policy Department ed., 2014)
Italy	Decreto Legislativo 21 febbraio 2014, n.22 art. 84-*ter*, G.U. March 11, 2014, n.57 (It.)	"Use It or Lose It"	Fifty years after publication of a musical work (the Italian text uses the word *fonogramma*), performers can withdraw from a contract if the producer of the work, within one year of a request by the performer, doesn't sell enough copies of the work or does not make it sufficiently available to the public. Italian "use it or lose it" law is limited to protection of performers ("Actors, singers, musicians, dancers and other persons who play, sing, recite or Perform in any manner, intellectual works, whether protected or in the public domain, shall be considered performers."). See Diritto d'autore. Legge 22 aprile 1941, n.633, art. 80-85, G.U. July 16, 1941, n.166 (It.). That is, *it does not apply to authors*. (I contend that the 2008 article* is dated and DOES NOT apply to current "use it or lose it" copyright law

Country	Statute	Reversion OR "Use It or Lose It"	Notes from Authorities
			in Italy.) *Maria Lillà Montagnani & Maurizio Borghi, *Positive Copyright and Open Content Licences: How to Make a Marriage Work By Empowering Authors to Disseminate Their Creations*, 12 INT'L J. COMM. L. & POL'Y 244 (2008)
Luxembourg	Loi du 18 avril 2001 sur les droits d'auteur, les droits voisins et les bases de données, art. 16 (Lux.)	"Use It or Lose It"	"'Use it or lose it' provisions are currently in force in some EU Member States for authors' rights (Belgium, Germany and Spain among those surveyed in the present study, and additionally Austria, Luxembourg, Nordic Countries and Portugal)." SÉVERINE DUSOLLIER ET AL., CONTRACTUAL ARRANGEMENTS APPLICABLE TO CREATORS: LAW AND PRACTICE OF SELECTED MEMBER STATES 77 (Citizens' Rights and Constitutional Affairs, Policy Department ed., 2014)
Netherlands	Wet van 30 juni 2015, Stb. 2015, 257, art. 25e (Neth.)	"Use It or Lose It"	• "In the Netherlands, the Amendment Act of June 30, 2015 on copyright contracts introduced a right for the author to cancel the agreement if the assignee does not sufficiently exploit the copyright to the work within the reasonable period."

Country	Statute	Reversion OR "Use It or Lose It"	Notes from Authorities
			PASCAL KAMINA, FILM COPYRIGHT IN THE EUROPEAN UNION 212 (Cambridge Univ. Press, 2d ed., 2016) • "Article 25e gives the author a right to reclaim his rights in the case where they are not properly exploited. For the music industry this rule is now codified, as a similar rule was already applied by the Dutch courts based on general contract law (art. 6:265 BW)." Karlijn van den Heuvel, *What Does the New Dutch Copyright Law Have to Offer?*, KLUWER COPYRIGHT BLOG, Jan. 13 2016.
New Zealand	OLD: Copyright Act 1962, sch. 1, cl. 36(3) (N.Z.) NEW: Copyright Act 1994, sch. 1, cl. 38 (N.Z.)	Time-Limited Reversion (25 years after author's death)	"In New Zealand, the reversionary right is available for grants made by the author on or before April 1, 1963." LISA A. ALTER, BRITISH REVERSIONARY RIGHT (3d ed., 2012)
Poland	Act of 4 February 1994 On Copyright and Related Rights, art. 57 § 1 (Pol.)	"Use It or Lose It"	• "In Germany and Poland, an author may terminate a contract if his work no longer reflects his beliefs, or if exploitation is made contrary to their fundamental interest." David M. Given, *US Copyright Termination:*

Country	Statute	Reversion OR "Use It or Lose It"	Notes from Authorities
			Re-Monetization's Final Frontier, 11 J. INTELL. PROP. L. & PRAC. 826, 828 (2016) • "In Germany for instance, authors are entitled to terminate the contract earlier if the work no longer reflects their convictions or if the rightholder does not exercise the right or only does so insufficiently and this significantly impairs the author's legitimate interests. In these two cases, the author will have to compensate the transferee if and insofar this is fair and equitable. A similar system applies in Poland." SÉVERINE DUSOLLIER ET AL., CONTRACTUAL ARRANGEMENTS APPLICABLE TO CREATORS: LAW AND PRACTICE OF SELECTED MEMBER STATES 77-78 (Citizens' Rights and Constitutional Affairs, Policy Department ed., 2014)
Portugal	Código do Direito de Autor e Dos Direitos Conexos, art. 49? (Port.)	"Use It or Lose It"	PASCAL KAMINA, FILM COPYRIGHT IN THE EUROPEAN UNION 212 (Cambridge Univ. Press, 2d ed., 2016)
Romania	Law on Copyright and Neighboring	"Use It or Lose It"	"In Denmark, Finland and Sweden, the author may

Country	Statute	Reversion OR "Use It or Lose It"	Notes from Authorities
	Rights, art. 56(3) (M. O. Pt. I No. 60 / March 26, 1996) (Rom.)		cancel the agreement if the assignee has not exploited the work within a reasonable time or at the latest five years after the date when the agreement was performed by the author. The same duration applies in Romania." PASCAL KAMINA, FILM COPYRIGHT IN THE EUROPEAN UNION 212 (Cambridge Univ. Press, 2d ed., 2016)
South Africa	OLD: See Copyright Act of 1911, section 5(2) (U.K.); Patents, Designs, Trade Marks, and Copyright Act of 1916 § 143 (S. Afr.) [where the South African Act sets out that the British Copyright Act is in force in the Commonwealth] NEW: Copyright Act of 1978, § 43 (S. Afr.)	Time-Limited Reversion (25 years after author's death)	"In South Africa, the right applies to grants made by the author on or before September 10, 1965, and in Australia the right is available for grants made by the author on or before May 1, 1969." LISA A. ALTER, BRITISH REVERSIONARY RIGHT (3d ed., 2012)
Spain	• Intellectual Property Law art. 69 (B.O.E 1996, 97) (Spain) • Intellectual Property Law art. 68(1) (B.O.E 1996, 97) (Spain)	"Use It or Lose It"; Time Limited Reversion (25 years after author's death)	• "In Spain, a publishing contract is automatically extinguished 10 years after its execution if payment is fixed as a flat fee." David M. Given, *US Copyright Termination: Re-Monetization's Final Frontier*, 11 J. INTELL. PROP. L. & PRAC. 826,

Country	Statute	Reversion OR "Use It or Lose It"	Notes from Authorities
			828 (2016) • "'Use it or lose it' provisions are currently in force in some EU Member States for authors' rights (Belgium, Germany and Spain among those surveyed in the present study, and additionally Austria, Luxembourg, Nordic Countries and Portugal)." SÉVERINE DUSOLLIER ET AL., CONTRACTUAL ARRANGEMENTS APPLICABLE TO CREATORS: LAW AND PRACTICE OF SELECTED MEMBER STATES 77 (Citizens' Rights and Constitutional Affairs, Policy Department ed., 2014) • "Under Spanish legislation, the publishing contract is automatically extinguished ten years after the signature if remuneration has been fixed in the form of flat fee." SÉVERINE DUSOLLIER ET AL., CONTRACTUAL ARRANGEMENTS APPLICABLE TO CREATORS: LAW AND PRACTICE OF SELECTED MEMBER STATES 78 (Citizens' Rights and Constitutional Affairs,

Country	Statute	Reversion OR "Use It or Lose It"	Notes from Authorities
			Policy Department ed., 2014) • Automatic reversion at year 25 after author's death. Torremans
Sweden	3 ch. 33 § Lag (1960:729) om upphovsrätt till litterära och konstnärliga verk (Svensk författningssamling 1960:729) (Swed.)	"Use It or Lose It"	• "In Sweden, it is explicitly stated that in the case of termination for lack of exploitation, remuneration obtained by the author is kept by her and in case damage occurs she has to be additionally compensated." SÉVERINE DUSOLLIER ET AL., CONTRACTUAL ARRANGEMENTS APPLICABLE TO CREATORS: LAW AND PRACTICE OF SELECTED MEMBER STATES 77 (Citizens' Rights and Constitutional Affairs, Policy Department ed., 2014) • "In Denmark, Finland and Sweden, the author may cancel the agreement if the assignee has not exploited the work within a reasonable time or at the latest five years after the date when the agreement was performed by the author." PASCAL KAMINA, FILM COPYRIGHT IN THE EUROPEAN UNION 212 (Cambridge Univ.

Country	Statute	Reversion OR "Use It or Lose It"	Notes from Authorities
			Press, 2d ed., 2016)
UK	OLD: Copyright Act of 1911, section 5(2) (At the time, applied to all parts of the British Empire) NEW: Copyright, Designs and Patents Act 1988, Sched. 1, para. 27	Time-Limited Reversion (25 years after author's death)	• "In the UK, transfers made between July 1912 and June 1957 automatically revert to the author's estate 25 years after the author's death. Australia, New Zealand and South Africa have similar time-limited reversion laws . . . ." David M. Given, *US Copyright Termination: Re-Monetization's Final Frontier*, 11 J. INTELL. PROP. L. & PRAC. 826, 828 (2016) • "In other countries, such as the UK, there are no specific provisions in the Copyright Law regarding reversion, but authors may terminate the contract in application of Contract Law." SÉVERINE DUSOLLIER ET AL., CONTRACTUAL ARRANGEMENTS APPLICABLE TO CREATORS: LAW AND PRACTICE OF SELECTED MEMBER STATES 78 (Citizens' Rights and Constitutional Affairs, Policy Department ed., 2014) • "The current legislation contains no provision under which rights in works created after

Country	Statute	Reversion OR "Use It or Lose It"	Notes from Authorities
			June 1, 1957, may revert to the author or his estate. But it preserves the right given by the Copyright Act 1911, Section 5(2), in respect of works created before June 1, 1957, which were assigned between the passing of that Act and June 1, 1957. This provision renders the assignment void as against the author's personal representatives insofar as it extends to the period of copyright that commences 25 years from the author's death." 2-UK INTERNATIONAL COPYRIGHT LAW AND PRACTICE UK § 4 (2016)

WORKS OF FICTION: THE MISCONCEPTION OF LITERARY CHARACTERS AS COPYRIGHT WORKS

by JANI MCCUTCHEON*

INTRODUCTION

Fictional characters like Superman or Harry Potter can literally be a goldmine, spawning industries similar in value to the economies of a small country. It is therefore understandable when proprietary claims are made in respect of the character, whether in literary or graphic form. Many famous fictional characters begin their lives in literary text, and this raises questions about their status as literary "works" under copyright law. U.S. case law has established two doctrines suggesting copyright may subsist separately in literary characters, distinct from the broader literary texts housing them.

Scholarship on this jurisprudence has lamented the ambiguity of character delineation standards, the unwieldiness of both character protection doctrines,[1] their inconsistent and confused application, and the tendency of courts to conflate tests of copyright infringement and subsistence.[2] However, suggestions that these doctrines are simply wrong in law are rare[3] and too often overlooked. This article seeks to demonstrate the fra-

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[1] *See, e.g.*, E. Fulton Brylawski, *Protection of Characters – Sam Spade Revisited*, 22 BULL. COPYRIGHT SOC'Y 77, 77 (1974) ("Recent court decisions have shown that the legal doctrines for the protection of literary and cartoon characters are rather inconsistent, unclear and quixotic"); Jacqueline Lai Chung, *Drawing Idea from Expression: Creating a Legal Space for Culturally Appropriated Literary Characters*, 49 WM. & MARY L. REV. 903, 922 (2007) ("[B]oth the Nichols test and the Sam Spade test have their own respective degrees of murkiness."); Zahr K. Said, *Fixing Copyright in Characters*, 35 CARDOZO L. REV. 769, 786 (2013) ("[T]he haphazard evolution of copyright protection for characters has culminated in uncertain and aesthetically non-neutral standards for protection . . . ."); Francis Nevins, *Copyright + Character = Catastrophe*, 39 J. COPYRIGHT SOC'Y 303, 344 (1992).

[2] *See, e.g.*, Leslie Kurtz, *The Independent Legal Lives of Fictional Characters*, 3 WIS. L. REV. 429, 440 (1986) ("By focusing on the copyrightability of a character, courts have blurred the distinction between the concepts of infringement and copyrightability.").

[3] The primary critic has been Leslie Kurtz. *See, e.g.*, *id.* ("A character as such has no tangible existence outside the specific work or works in which it appears. It has independent life only as an abstraction, as an image in the mind of the reader or viewer."). Even this might suggest, however, that characters have discrete tangible existence *inside* the specific work in which they appear, which this article rejects.

gility of the character as work doctrine by showing the hopelessness of identifying literary characters as discrete works. This mandates reflection on the boundaries of the copyright work, which is notoriously difficult to define.[4] Nevertheless, this article argues that there are fundamental fetters that prevent literary characters being identified as copyright works, even under the most liberal formulation of the copyright "work." It goes back to the proper source of copyright protection — the statutory language and copyright doctrine — to explain why characters cannot be works under U.S. law. The article begins with a critical exposition of the two cases that triggered the two major character as work doctrines, *Nichols v. Universal Pictures Corp.*[5] and *Warner Bros. Pictures Inc. v. Columbia Broadcasting System*.[6] It then explains how industry practice, subsequent cases, and commentary embedded the character as work doctrine. Finally, the article methodically explains the fundamental flaws of the doctrine and concludes that the continued exploitation and purported propertization of literary characters rests on an unstable copyright foundation.

I. *WHERE IT ALL BEGAN*: NICHOLS v. UNIVERSAL PICTURES CORP.

The possibility of protecting literary characters as discrete copyright works was first ventilated in an oft-quoted statement by Judge Learned Hand in *Nichols v. Universal Pictures Corp.*[7] In that case, the author of a play alleged that it had been infringed by a film. Judge Hand said:

> [W]e do not doubt that two plays may correspond in plot closely enough for infringement .... Nor need we hold that the same may not be true as to the characters, quite independently of the "plot" proper, though as far as we know, such a case has never arisen. If *Twelfth Night* were copyrighted it is quite possible that a second comer might so closely imitate Sir Toby Belch or Malvolio as to infringe, but it would not be enough that for

[4] *See* Brad Sherman, *What Is a Work?*, 12 THEORETICAL INQUIRIES IN L. 99 (2011); Michael Madison, *The End of the Work as We Know It*, 19 J. INTELL. PROP. L. 325 (2012); Paul Goldstein, *What Is a Copyrighted Work? Why Does It Matter?*, 58 UCLA L. REV. 1175 (2011); Justin Hughes, *Size Matters (or Should) in Copyright Law*, 74 FORDHAM L. REV. 575 (2005); Jani McCutcheon, *Shape Shifters: Searching for the Copyright Work in Kinetic Living Art*, 64 J. COPYRIGHT SOC'Y 309 (2017).

[5] Nichols v. Universal Pictures Corp., 45 F.2d 119 (2d Cir. 1930), *cert. denied*, 282 U.S. 902 (1931).

[6] Warner Bros. Pictures, Inc. v. Columbia Broad. Sys., 216 F.2d 945 (9th Cir. 1954). *DC Comics v. Towle*, 802 F.3d 1012 (9th Cir. 2015) has recently developed its own formula, borrowing from Nichols, however that was generated in relation to a purely graphic character, the Batmobile car, and thus is strictly outside the remit of this article.

[7] *Nichols*, 45 F.2d 119.

> one of his characters he cast a riotous knight who kept wassail to the discomfort of the household, or a vain and foppish steward who became amorous of his mistress. These would be no more than Shakespeare's "ideas" in the play, as little capable of monopoly as Einstein's doctrine of Relativity. It follows that *the less developed the characters, the less they can be copyrighted*; that is the penalty an author must bear for making them too indistinct.[8]

The phrase "the less they can be copyrighted" suggests that if a character is well developed, it can be "copyrighted." The implication is that characters can be independently copyrighted and may subsist as a discrete copyright work.[9] Perhaps this particular nomenclature has its origins in the statutory structure at the time *Nichols* was decided,[10] which may have encouraged the notion of copyrightable *components* of works.[11] Regardless, this judgement has led to an evaluation of whether characters are "copyrightable" as a threshold enquiry[12] in a two part analysis:

> First, was the character as originally conceived and presented sufficiently developed to command copyright protection? Second, if so, did the alleged infringer copy that development itself, rather than merely a broader and more abstract outline?[13]

Judge Hand's expression "the less they can be copyrighted" was an unfortunate use of terminology, because it suggests a standard for copyright *subsistence*. However, what Judge Hand really meant was "the less they can be *infringed*." All of the surrounding language in this oft-cited passage supports this construction. He first notes how plots may "correspond . . . closely enough for infringement" and then concedes that "the same may . . . be true as to the characters, quite independently of the 'plot' proper." In other words, if two characters correspond closely, there may

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8 *Id.* at 121 (emphasis added).

9 Kurtz, *supra* note 2, at 440 ("Taking the idea of an independent character far too literally, courts often discuss whether a character is 'copyrightable.'").

10 The Copyright Act of 1909, § 3 provided in relevant part: "The copyright provided by this title shall protect all the copyrightable *component parts* of the work copyrighted . . . ." (emphasis added).

11 For example, in *Walt Disney Prods. v. Air Pirates*, 581 F.2d 751, at 754 (9th Cir. 1978), *cert. denied*, 439 U.S. 1132 (1979), the court said:

> In some instances Disney's copyrights cover a book and others an entire strip of several cartoon panels. The fact that its characters are not the separate subject of a copyright does not preclude their protection, however, because Section 3 of the then Copyright Act provided that Disney's copyrights included protection for "all the copyrightable component parts of the work copyrighted."

12 Nevins, *supra* note 1, at 311 ("The threshold issue of whether the plaintiff's character is well enough developed to be copyrightable is a question of law for the court.").

13 1 Melville B. Nimmer & David Nimmer, Nimmer on Copyright § 2.12, at 2-169 (2018).

be infringement. This is bolstered by his comment that a "second comer *might so closely imitate* Sir Toby Belch or Malvolio *as to infringe*." Thus, he was hypothesising circumstances of imitation and contemplating what might be required to imitate a *character*. The next part of the speech is simply an articulation of the idea-expression dichotomy which is so often triggered in an infringement analysis.[14] Renditions of character stripped of the *detail* of Sir Toby Belch or Malvolio are reduced down to "a riotous knight who kept wassail to the discomfort of the household, or a vain and foppish steward who became amorous of his mistress."[15] Thus imitation of the *ideas* embedded in the character will not infringe, as determined in *Nichols* where the court explained that:

> the lovers are so faintly indicated as to be no more than stage properties. They are loving and fertile; that is really all that can be said of them, and anyone else is quite within his rights if he puts loving and fertile lovers in a play of his own, wherever he gets the cue.[16]

The final line in Learned Hand's statement is the most troublesome, because it seems to segue from an infringement discussion to a subsistence analysis: "It follows that the less developed the characters, the less they can be copyrighted; that is the penalty an author must bear for marking them too indistinctly." However, this statement can also logically be resolved through an infringement lens. If a character is not marked sufficiently distinctly, *there is simply nothing concrete for the defendant to take*. If the characters are mere, opaque ideas, what is there for the defendant to grasp, other than that same, unprotectable idea? The court in *Rice v. Fox Broadcasting*[17] articulates the conundrum and explains how the confusion between the concept of copyrightability and substantial similarity can arise:

> For reasons *similar* to those preventing the Mystery Magician from being a separably-protected "character," however, there is *also* no "substantial similarity" between this "character" and the "character" of the Masked Magician which appears in the Television Specials.[18]

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[14] Richard Davis, *Sequel Rights: Federal Copyright Protection of Fictional Characters*, 2(2) PERFORMING ARTS REV. 315, 320-21 (1971) ("The 'development' test of copyright protection of characters as announced in Nichols is essentially a manifestation of the general requirement of expression of ideas as applied to characters which applies similarly to all other elements in a copyrighted textual work. A character is expressed per Nichols if it is given detailed unique characteristics which make it something more than a stereotype."). *See also* the cases referred to in Brylawski, *supra* note 1, at 83.

[15] Nichols v. Universal Pictures Corp., 45 F.2d 119, at 121 (2d Cir. 1930).

[16] *Id.* at 122.

[17] Rice v. Fox Broad. Co., 148 F. Supp. 2d 1029 (C.D. Cal. 2001).

[18] *Id.* at 1057 (emphasis added).

Further, Hand's statement is certainly not expressed as a positive standard of copyright subsistence. As Davidow notes, "[t]he court's opinion implies, but does not expressly require that for a character to be protectable it must be 'well-developed' and 'distinctly marked.'"[19] In other words, the court does not impose a *positive* obligation to delineate or develop, it simply warns that a less developed or indistinctly marked character may be incapable of being infringed.

II. DIFFICULTY AND AMBIGUITY OF THE "DELINEATION" TEST

According to Hand's concept of character, in order to be protected, Sir Toby Belch or Malvolio must be contained in expression surpassing the abstract nature of "a riotous knight who kept wassail to the discomfort of the household, or a vain and foppish steward who became amorous of his mistress,"[20] but the requisite threshold is not articulated. This leads to the "I-know-it-when-I-see-it" test,[21] and numerous authors have criticised the ambiguity of the delineation test. The only point this article adds to the discussion is that this test is often invoked when the subject matter *is*, indeed, indefinable, as is argued below. Courts have to apply a subjective standard to first determine whether characters are sufficiently developed to be works. Goldstein suggests the test is similar to "the criterion that individuals apply in daily life to determine whether they in truth know someone."[22] This kind of aesthetic judgement of merit is very rare, if not anathema, in the context of determining copyright *subsistence*.

III. THE SAM SPADE CASE

Learned Hand's "delineation" test is not the only purported test of character copyrightability. The so-called "story being told" test originates in *Warner Brothers Pictures Inc. v. Columbia Broadcasting System*,[23] known colloquially as "the Sam Spade case." In this case, Dashiell Hammett wrote a novel, *The Maltese Falcon*, which featured Hammett's famous character, detective Sam Spade. Hammett contracted with his publisher, Knopf, to publish the book and copyright it. Subsequently, in

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19 Lawrence Davidow, *Copyright Protection for Fictional Characters: A Trademark Based Approach to Replace* Nichols, 4 COLUM.-VLA J.L. & ARTS 513, 520 (1983).

20 *Nichols*, 45 F.2d at 121.

21 Jocobellis v. Ohio, 378 U.S. 184, 197 (1964) (Stewart, J., concurring).

22 PAUL GOLDSTEIN, COPYRIGHT: PRINCIPLES, LAW AND PRACTICE § 2.11.3, at 158 (1989), *cited in* David Feldman, *Finding A Home for Fictional Characters: A Proposal for Change in Copyright Protection*, 78(3), CAL. L. REV. 687 n.38 (1990).

23 Warner Bros. Pictures, Inc. v. Columbia Broad. Sys., 216 F.2d 945 (9th Cir. 1954).

1930 Hammett and Knopf granted Warner Brothers exclusive rights limited to defined uses in motion pictures, talking pictures, radio, and television "in and to that certain story, hereinafter called 'writings,' entitled 'Maltese Falcon'. . . together with all benefits of the copyrights in such writings, the title and the theme thereof . . .."[24] In the court's words, this grant conferred on Warner Brothers exclusive rights to "*the writing which is within the copyright*. . . limited to defined uses in motion picture, talking pictures, radio, and television."[25] In 1946, Hammett used the Maltese Falcon characters with their names, and authorised third parties to use those characters in radio, television, and motion pictures. This prompted Warner Brothers to sue for copyright infringement and unfair use and competition. Warner Brothers argued that its acquisition of the rights referred to above included rights with respect to the characters, as elements of the "certain story, hereinafter called 'writings,' entitled "Maltese Falcon.'" The court rejected this argument, based on its construction of the contract. Of critical importance was the failure to specifically, and independently, identify "characters" as the subjects of the licence:

> We are of the opinion that since the use of characters and character names are nowhere specifically mentioned in the agreements, but that other items, including the title, "The Maltese Falcon," and their use are specifically mentioned as being granted, that the character rights with the names cannot be held to be within the grants, and that under the doctrine of ejusdem generis, general language cannot be held to include them.[26]

The court also construed the contract consistently with industry practice whereby "historically and presently detective fiction writers have and do carry the leading characters with their names and individualisms from one story into succeeding stories."[27] Thus it was not the intention of the contracting parties "to buy and sell the future use of the personalities in the writing."[28]

This construction of the contract can certainly be challenged. The contract purported to grant to Warner specified exclusive rights "'in and to that *certain story*, hereinafter called 'writings,' *entitled 'Maltese Falcon'* . . . with *all benefits of the copyrights in such writings*.[29] As the court notes, this gave Warner exclusive rights to "*the writing which is within the copyright*."[30]

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[24] *Id.* at 945 n.1.

[25] *Id.* at 948 (emphasis added).

[26] *Id.* at 949.

[27] *Id.*

[28] *Id.* at 950.

[29] *Id.* at 945 n.1.

[30] *Id.* at 948.

That of course begs the question, what *is* the "writing which is within the copyright?" Defining the creative expression licensed pursuant to a contract does not necessarily correlate with defining a copyright work. However, it seems evident that the licensed subject matter is the *literary work* entitled *The Maltese Falcon*. The contract refers to this creation as "that *certain story*."[31] This then requires definition. What is a "story"? Does it include characters? Is it only the plot outline? It would be difficult to describe the story of *The Maltese Falcon* without reference to its characters. Is the reference to "story" simply a convenient shorthand description of the entire writings of the novel? It seems strongly arguable that the true grant was the right to use all of the words encapsulated in the literary work, *The Maltese Falcon*. It is thus unnecessary to specify that characters go with the grant, because what is the story of *The Maltese Falcon* without its characters? This accords with two judgments in the dispute concerning MGM's 1981 film *Tarzan, the Apeman*. The facts in that dispute are convoluted, but in the course of judgement Judge Werker of the district court stated:

> The renewal copyright held by Burroughs, Inc. was in the literary work "Tarzan of the Apes." *The copyright covered the work as an entirety*. It cannot be said that such a copyright contemplates protection of only the plot, leaving the characters free for public exploitation for, as in the case of plays, the "characters and sequence of incident (are) the substance."[32]

On appeal, the court similarly stated:

> [H]ad Burroughs in his 1923 contract with ERB, Inc., listed only [five Tarzan book titles], his conveyance of the rights to those titles would implicitly have authorized ERB, Inc., to use and exploit *all material in those titles, including the character Tarzan* which was central to each of those books.[33]

The benevolent construction of the contract in the Sam Spade case is understandable, because it allowed Hammett to continue using his characters, but it isn't strictly coherent. There is certainly no compelling logic to the court's assertion that:

> If Congress had intended that the sale of the right to publish a copyrighted story would foreclose the author's use of its characters in subsequent works for the life of the copyright, it would seem Congress would have made specific provision therefor.[34]

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[31] *Id.* at 945 n.1 (emphasis added).

[32] Burroughs v. Metro-Goldwyn-Mayer, Inc, 519 F. Supp. 388, 391 (S.D.N.Y. 1981) (emphasis added).

[33] Burroughs v. Metro-Goldwyn-Mayer, Inc. 683 F.2d 610, 622 (2d Cir. 1982) (emphasis added).

[34] *Warner Bros.*, 216 F.2d at 950.

The Sam Spade decision implies that all the components of a literary work would need to be individually indicated to be included in the grant. Failing to specifically mention characters was significant.[35] However, it is an odd treatment of a copyright work, which is not generally repeated in relation to other works. For example, a painting, piece of music, or play is not generally broken down into smaller elements, and an assignment or licence would rarely be required to stipulate that the grant includes all of the brushstrokes of the painting, and all of the notes of the musical piece, or each act of the play.

Similar issues are brewing in a long-running dispute concerning the ownership of Tom Clancy's Jack Ryan character. Clancy's first book, *The Hunt for Red October*, was published by the United States Naval Institute ("USNI"). Under his contract with the USNI, Clancy assigned copyright in *Hunt* to the USNI and he was prohibited from publishing any material based on *Hunt*. A claim by the USNI that it owned all rights to *Hunt* and that Clancy's use of any characters from *Hunt* would infringe copyright went to arbitration. The case was settled, with the USNI acknowledging that Clancy owned the rights to the characters in his book. The *Hunt* copyright was subsequently assigned to a company, Jack Ryan Enterprises, Ltd. ("JREL"), which Clancy established to be the assignee of the copyright following the settlement with USNI. Clancy's widow has claimed that, because the assignment to JREL made no mention of the character Jack Ryan, the character was never assigned to the company.[36] This seems to squarely adopt the argument in *Sam Spade*. If the Jack Ryan character was a separate entity, he was "promised" to Clancy under the settlement agreement.

Returning to the Sam Spade case, having neatly determined the issue based on contract grounds, the court then muddied the water by unnecessarily considering, *obiter*, "whether it was ever intended by the copyright statute that characters with their names should be under its protection."[37] The court then went on to state in a now famous passage:

> It is conceivable that the character really constitutes the story being told, but if the character is only the chessman in the game of telling the story he is not within the area of the protection afforded by the copyright. . .. We conclude that even if the Owners assigned their complete rights in the

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35 It seems that, had slightly different wording been chosen, and a simpler assignment utilised by the parties, the outcome may have been different. If the assignment had simply been "the writings" without any separate mention of the title or the names also being transferred, the court may not have logically been able to interpret the contract in the way it did.

36 *See* Complaint for Declaratory Judgment, Clancy v. Webb, No, 24-C-17-004404 (Baltimore City Cir. Ct. Aug. 15, 2017), https://www.courthousenews.com/wp-content/uploads/2017/08/clancy.pdf.

37 *Warner Bros.*, 216 F.2d at 950.

> copyright to the Falcon, such assignment did not prevent the author from using the characters used therein, in other stories. The characters were vehicles for the story told, and the vehicles did not go with the sale of the story.[38]

This statement has been described as a "somewhat unintelligible verbal formula,"[39] however, it is interesting for what it tells us about the nature of characters, and their location in the larger work. Relating this statement back to the court's contract construction, the implication is that if the character was "the story being told," it would constitute the "certain story" or "writings" that had been licensed. In other words, it wouldn't be necessary to separately mention the characters, because if they constitute the story, they must necessarily travel with any license of that story. They are effectively fused with the licensed content. In fact, as is argued below, this is a more accurate depiction of literary characters, because they cannot be uncoupled from the story. The court puts another twist on it, suggesting a threshold degree of *importance* of the character to the story. In contrast, this article focuses on the entwined nature of the character and story.

The court seems to regard these types of constitutive or 'fusion' characters as rare. The vast residue of characters are simply "mere chessmen" or "vehicles for the story,"[40] which need to be specifically mentioned to be captured by a licence.[41] The assertion that characters must be specifically mentioned in a licence in order to be conveyed tacitly accepts that characters are discrete, divisible elements of a broader work.[42] Thus, even though it crafts a significantly different test for character copyrightability than *Nichols*, the Sam Spade case has its part to play in entrenching the character as work doctrine.

IV. CONFUSION AS TO WHETHER CHARACTERS ARE WORKS

As Professor Said has observed, "[t]he law in this area is inconsistent, unsettled, and unclear."[43] It clearly leads to confusion about whether characters are discrete works, or whether they are *effectively* being regarded as works through the back door of an infringement analysis. Professor Kurtz notes the confusion that filtered through the oral argument in

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38 *Id.*

39 Brylawski, *supra* note 1, at 87.

40 *Warner Bros.* 216 F.2d at 950.

41 Ignoring the primary question of whether simply *specifying* a character could ever *define* it.

42 Again, the statutory structure at the time may have facilitated this approach. The Copyright Act of 1909, § 3 provided in relevant part: "The copyright provided by this title shall protect all the *copyrightable component parts* of the work copyrighted . . . ." (emphasis added).

43 Said, *supra* note 1, at 786; *see also* note 85 *infra* and sources cited therein.

Burroughs v. Metro-Goldwyn-Mayer,[44] where there was discussion about whether the character or the literary work was being infringed.[45] Some commentators seem to regard Judge Hand's test as both an infringement and a subsistence test. For example, Helfand states, "[i]n truth, this passage is simply a test of infringement,"[46] but then goes on to state "[i]n other words, the more detail with which a character is described, the greater chance that it will, standing apart from the story proper, be *afforded a copyright in its own right.*"[47] He then laments the "difficulty fictional characters subsequently had in *receiving copyright protection*" as a result of this "improper interpretation."[48]

V. COMMERCIAL PRACTICE

To what extent has industry practice infected copyright doctrine, or vice versa? The character-as-work doctrine has apparently infiltrated, or perhaps originates from, industry norms, with contracts reflecting this construction of *Nichols*.[49] This has likely lead to a feedback loop,[50] creating and entrenching a discrete market in literary characters as separate commodities, which then ostensibly justifies and explains the purported property right.

It is clear that the character licensing industry proceeds on a claim or bluff (or, as this article argues, a misconception) that copyright subsists in

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44 683 F.2d 610, 621 (2d Cir. 1982).

45 Kurtz, *supra* note 2, at 458 n.167.

46 Michael Helfand, *When Mickey Mouse Is as Strong as Superman: The Convergence of Intellectual Property Laws to Protect Fictional Literary and Pictorial Characters*, 44 STAN. L. REV. 623 n.44 (1992).

47 *Id.*

48 *Id.*

49 Richard Wingor, *Book Review*, 76 YALE L.J. 1473, 1480 (1967) (reviewing BENJAMIN KAPLAN, AN UNHURRIED VIEW OF COPYRIGHT (1967)) ("Industry-wide collective bargaining agreements between management and the Writers Guild of America contain royalty provisions for the use of *characters*." (emphasis added); *see also Content Guidelines and Review Process*, KINDLE WORLDS, https://kindleworlds.amazon.com/faqs?section=content-review (last visited Jan. 18, 2019) ("A relevant story often includes one or more copyrightable elements of that World-things like *characters*, settings, and events"); *Rights and the Publication Agreement*, KINDLE WORLDS, https://kindleworlds.amazon.com/faqs?section=rights-publication ("You will own the copyright to the original, copyrightable elements (such as *characters*, scenes, and events) that you create and include in your work, and the World Licensor will retain the copyright to all of the original elements of the World" (emphasis added); *see also* Stern v. United States, 164 F. Supp. 847, 848 (E.D. La. 1958) (which concerned the taxation implications of Stern selling his "right, title and interest . . . in and to . . . that certain character known as 'Francis' conceived and created by him.").

50 James Gibson, *Risk Aversion and Rights Accretion in Intellectual Property Law*, 116 YALE L.J. 882 (2007).

literary characters. For example, in *Klinger v. Doyle*[51] the court recounted the threat made by the Doyle Estate if Klinger's publisher did not obtain a licence:

> If you proceed . . . to bring out [the sequel] unlicensed, do not expect to see it offered for sale by Amazon, Barnes & Noble, and similar retailers. We work with those compan[ies] routinely to weed out unlicensed uses of Sherlock Holmes from their offerings, and will not hesitate to do so with your book as well.[52]

It will be explained below how the difficulty in identifying characters as a separate "work" reflected in a material copy is the primary obstacle to copyright subsisting discretely in literary characters, at least under U.S. law. An entrenched industry practice of licensing "characters" does not remedy this situation. Dealing commercially in "characters" does little to identify the character and does not make it a "work." Characters clearly have considerable independent economic value, grounding character franchises worth unimaginable amounts of money, but this does not, of itself, convert them into works.

Marks suggests that "if a character were copyrightable an author could always contractually reserve in himself sequel rights, whereas if a character is in the public domain an author cannot contractually prevent use by people with whom he has no dealings."[53] However, it is not immediately clear why a character would need to be "copyrightable" in order to be contractually reserved. It would simply depend on the wording of the contract and its clarity. This of course elides the difficulty of characterising character, which is not minimised simply because the dealings with the character are now governed by contract rather than copyright. We still need to know what the contracting parties meant by permitting another to "use" a "character." The reality is that the subject matter of these "character" licenses is uncertain. As long ago as 1957, Richard Wincor asked: "[a]re we buying Sherlock Holmes, or his name, or a Hound of the Baskervilles plot, or a Knocking at his Gate in Baker Street effect, or a pipe and detective cap costume or a mere idea which does not have to be bought at all?"[54] No clearer answer to these questions exists today.

Therefore, industry norms cannot determine the scope or the legitimacy of the character as a separate work. The fact that a commercial market for characters and their syndication has evolved, arguably assisted by

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[51] Klinger v. Conan Doyle Estate, Ltd., 761 F.3d 789 (7th Cir. 2014).

[52] *Id.* at 790.

[53] Michael Marks, *The Legal Rights of Fictional Characters*, 25 COPYRIGHT L. SYMP. (ASCAP) 35, 45 (1980).

[54] Richard Wincor, *Seven Basic Program Properties*, 47 TRADEMARK REP. 440, 452 (1957), *cited in* Kurtz, *supra* note 2, at 458 n.50.

ill-considered nomenclature about character "copyrightability," does not, and should not, categorise literary characters as copyright works.

VI. COMMENTARY SUGGESTING CHARACTERS ARE WORKS

Despite inconsistent treatment and evidence of some confusion about the status of characters as independent works, commentary and cases are replete with references to characters as independent works and "the prevailing view has become that characters per se are entitled to copyright protection.[55] This is reflected in numerous cases,[56] many of which expressly distinguish the character from the larger work encompassing it,

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[55] 1 NIMMER & NIMMER, *supra* note 13, § 2.12, at 2-178.25.

[56] Anderson v. Stallone, 11 U.S.P.Q.2d 1161, 1165-67 (C.D. Cal. 1989) ("[T]he Rocky characters developed in Rocky I, II and III constitute expression protected by copyright independent from the story in which they are contained."); Filmvideo Releasing Corp. v. Hastings, 509 F. Supp. 60, 66 (S.D.N.Y. 1981) ("In my opinion, these characters and others were sufficiently delineated, developed and well known to the public to be copyrightable."); Rice v. Fox Broad. Co., 330 F.3d 1170, 1175-76 (9th Cir. 2003) ("[C]haracters that are 'especially distinctive' or the 'story being told' receive protection apart from the copyrighted work."); Bach v. Forever Living Prods. U.S., Inc., 473 F. Supp. 2d 1127, 1133 (2007) ("Courts have given copyright protection to characters that are highly delineated or play a central role in an overall work."); *Klinger*, 755 F.3d at 503 ("From the outset of the series of Arthur Conan Doyle stories and novels that began in 1887 Holmes and Watson were distinctive characters and therefore copyrightable."); Danjaq, LLC v. Sony Corp., No. CV97-8414-ER (MCX), 1998 WL 957053 (C.D. Cal. Nov. 19, 1998), at *2 ("Copyright protects literary characters, apart from works in which they appear, where the character constitutes the story being told."); Silverman v. CBS Inc., 632 F. Supp. 1344, 1354 (S.D.N.Y. 1986) ("Literary characters, if sufficiently delineated, have been found copyrightable."); Burtis v. Universal Pictures Co., P.2d 933, 941 (Cal. 1953) ("[I]t might be possible that an author could so carefully delineate a character as to secure a protectible property interest in that character."); Olson v. National Broad. Co., Inc., 855 F.2d 1446, 1452-53 (9th Cir. 1988) ("'Cargo' contained no descriptions which could be sufficient to afford copyright protection to a character taken alone."); Burnett v. Lambino, 204 F. Supp. 327, 331 (S.D.N.Y. 1962) ("Any similarities between plaintiffs' plays and the novel and motion picture involve language that is insignificant or characters or plot ideas that are so general as to be uncopyrightable."); Culver Franchising Sys., Inc. v. Steak N Shake Inc., No. 16 C 72, 2016 WL 4158957 (N.D. Ill. Aug. 5, 2016), at *7 ("[S]tock characters" such as 'a drunken suburban housewife, a gesticulating Frenchman, a fire-breathing dragon, [or] a talking cat' are covered by the scènes à faire doctrine and thus are not copyrightable."); JB Oxford & Co. v. First Tennessee Bank Nat'l Ass'n, 427 F. Supp. 2d 784, 798-99 (M.D. Tenn. 2006) (discussing delineation standards and noting that visual characters "tend to receive more copyright protection than literary characters"); Jones v. CBS, Inc., 733 F. Supp. 748, 753 (S.D.N.Y. 1990) ("[O]nly a uniquely developed character with some degree of novelty is copyrightable . . .. Sister Sadie is not one of those rare copyrightable characters."); *see also* 1 NIMMER & NIMMER, *supra* note 13, § 2.12[A][2] n.18 and cases cited therein, at footnote 18.

clearly suggesting that storyline and characters are separate licensable components.[57] This is repeated in court pleadings.[58] Courts have clearly proceeded on the basis that literary characters can be separately valued.[59] Numerous commentators also regard characters as discrete components of a larger work.[60] The U.S. Copyright Office insists on a registration show-

[57] *See, e.g.*, Penguin Random House, LLC v. Colting, 270 F. Supp. 3d 736, 749 (S.D.N.Y. 2017) (noting that the defendant's Kinderguides books infringed "upon plaintiffs' exclusive right to reproduce their Novels, including the character of Holly Golightly (*a separate count*)" (emphasis added); *Bach*, 473 F. Supp. 2d at 1139 ("Plaintiffs' burden to show objective similarity is lessened because access to the novel *and the Jonathan Livingston Seagull character* is undisputed." (emphasis added). In *Klinger v, Doyle*, 755 F.3d 496, 503 (7th Cir. 2014), the court explained how the public domain stories contain "copyrightable elements . . . that *include* original depictions of characters (like Holmes and Dr. Watson)," and noted that "there is no copyright infringement of a story *or character* that is not under copyright" (emphases added). In *Silverman v CBS*, 870 F.2d 40, 50 (S.D.N.Y. 1986), there is a similar division between "sufficiently delineated" characters and the script containing the characters: "With respect to the *Amos 'n' Andy* characters, which are at the heart of this litigation, we have no doubt that they were sufficiently delineated in the pre-1948 radio scripts to have been placed in the public domain when the scripts entered the public domain." And in *Filmvideo v Hastings*, 509 F. Supp. 60, at 63, the court stated: "In addition to an analysis of whether there was a substantial similarity of story line, I have tested these motion pictures against the substantial similarity of characterization because *that too* was licensed by Mulford in 1937" (emphasis added).

[58] Complaint ¶ 133, Penguin Random House, LLC v. Colting, No. 1:17-cv-00386 (S.D.N.Y. Jan. 1, 2017) ("Holly Golightly is a fully delineated character, recognizable on a stand-alone basis, and entitled to the full benefits of copyright protection under law.") (on file with the author). In *Salinger v. Colting*, 641 F. Supp. 2d 250, 253-54 (S.D.N.Y. 2009), Judge Batts recounted the Plaintiff's allegation "that Defendants' novel, 60 Years Later: Coming Through the Rye (hereinafter '60 Years'), is a derivative work of his novel, The Catcher in the Rye (hereinafter "Catcher"), and that the character of Mr. C from 60 Years, is *an infringement on his character, Holden Caulfield*, from 'Catcher.'" (emphasis added).

[59] Gilroy v. Am. Broad. Co., Inc., 365 N.Y.S.2d 193 (App. Div. 1975), where the court held that the proper measure of damages was the reasonable value of the *literary character* created by plaintiff. On appeal, the measure of damages was reduced on the basis that it rested on wholly speculative evidence (Gilroy v. Am. Broad. Co., Inc., 395 N.Y.S.2d 658, 659 (App. Div. 1977)).

[60] Harriet L. Oler, *Copyright for Characters: The Search for Statutory and State Law Protection*, 16 IDEA: PTC J. RES. & ED. 1, 4 (1974) ("[T]he characters therein, if well developed, may enjoy some independent protection beyond that afforded to their literal development."); Rebecca Tushnet, *Legal Fictions: Copyright, Fan Fiction, and a New Common Law*, 17 LOY. L.A. ENT. L. REV. 651, 658 (1997) ("Fanfiction] might infringe on a creator's copyright in characters — the unique personalities created to express a concept"); Said, *supra* note 1, at 784 ("Nichols clarified that characters could merit protection independently of their works"); David Feldman, *Finding A Home for Fictional Characters: A Proposal for Change in Copyright Protection*, 78 CAL. L. REV. 687, 688 (1990) ("[C]opyright law

ing 'the artistic rendition of the character in visual form, or the literary delineation of the character's specific attributes in textual form."[61]

VII. TIME TO RESET THE NOMENCLATURE

A few commentators reject separate character protection,[62] but their voices have not registered against the ocean of contrary views. Others lament the uncertainty separate protection casts. For example, Nevins queries whether the determination of Nero Wolfe's substantial similarity to later appropriations can be "anything other than a crapshoot?"[63] This suggests that characters should not be recognised as separately copyrightable works, because establishing infringement would be too difficult. That, however, is not the correct analysis. The difficulty of establishing infringement should not determine whether something is a work. However, if the analysis is reframed to argue that the work is incapable of identification and thus incapable of comparison with second comers, then that is more coherent.

Marks notes the "semantic difficulty that runs through the literary character cases"[64] and the "confusion that is caused by phrasing the question for decision in such terms as, "[i]s the character copyrightable?"[65] He argues that due to Learned Hand's imprecise language, "in most of the literary character cases the question, '[i]s the character copyrightable?,'

. . . protects fictional characters only when they are copyrightable components of preexisting 'works.'"); *id.* ("[C]opyright adjudication of fictional characters is subject to a threshold 'copyrightability' inquiry"); Brylawski, *supra* note 1, at 96 ("[P]rotection for a characterization would not extend beyond the copyright term of the work on which the characterization originally appeared as a copyrightable component.").

61 U.S. COPYRIGHT OFF., COMPENDIUM OF U.S. COPYRIGHT OFFICE PRACTICES § 313.4(H) (3d ed. 2017).

62 Kurtz, *supra* note 2, at 440 ("Like the plot, setting or dramatic action, a character is a part of a work that is protected by copyright, but is not itself the subject of copyright."); Leslie A. Kurtz, *Fictional Characters and Real People*, 51 U. LOUISVILLE L. REV. 435, 436 (2013) ("Although fictional characters ordinarily appear within the context of a work or works that are protected by copyright, they are not themselves protected works."); Marks, *supra* note 53, at 39 ("[(It is] misleading to speak as if a literary work is in some sense a composite work with the characters appearing in the work being constituent parts capable of holding copyright distinct from the work as a whole"); 1 NIMMER & NIMMER, *supra* note 13, § 2.12 n.17.1 ("[T]he most harmonious and sound solution is to view the subject novel, film, opera, etc. as subject to copyright protection considered as a whole — and infringed to the extent that a delineated character is copied therefrom.").

63 Nevins, *supra* note 1, at 306.

64 Marks, *supra* note 53, at 39.

65 *Id.*

must be read to mean, and '[d]oes a later use of the character infringe in copyright on the earlier work in which the character appeared?'"[66]

This article seeks to give credence to these claims by explaining why literary characters cannot be separate works. Marks argues that, because the terminology of copyrightability "pervades the cases . . . we will have to learn to live with and even use it without being led astray by its imprecision."[67] This article argues instead that the terminology needs to be *abandoned* in an effort to reprogram legal and other responses to literary character propertization. The problem has been partly generated by broad acquiescence in the use of the terminology of separate "copyrightability" even while privately considering it as a "convenient shorthand" for an infringement analysis. Overuse inures us to that use and normalises the imprecision that troubles Marks and others.

VIII. WHAT IS A "WORK"?

In order to explain why a literary character cannot be a "work" it is necessary to explore the legal boundaries of the copyright work. Under U.S. law, copyright subsists in "original works of authorship fixed in any tangible medium of expression."[68] The claim that characters cannot be works suffers from the obvious flaw that the copyright work itself is undefined, joining its indeterminate stablemates of authorship[69] and the creativity standard conditioning originality.[70] As Goldstein notes, "copyright . . . nowhere in fact delimits the metes and bounds of a copyrighted work, or even prescribes a methodology for locating a work's boundaries,"[71]

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66 *Id.* at 40.

67 *Id.*

68 17 U.S.C. § 102(a) (2012).

69 *See* Russ Ver Steeg, *Defining "Author" for Purposes of Copyright*, 45 Am. U. L. Rev. 1323, 1337-38 (1996) ("[T]here is still no genuinely viable definition of "author."); Laura Heymann, *A Tale of (At Least) Two Authors: Focusing Copyright Law on Process over Product*, 34 J. Corp. L. 1009, 1009 (2009) ("[D]espite the centrality of this figure in the Copyright Act, the statute doesn't define the term, and commentators have yet to agree on precisely what characteristics this creature should have."); Alan Durham, *The Random Muse: Authorship and Indeterminacy*, 44 Wm. & Mary L. Rev. 569, 571 (2002) ("Authorship, however, is so often characterized by what it is not that it is sometimes difficult to say, positively, what authorship is."); *see also* Jane Ginsburg, *The Concept of Authorship in Comparative Copyright Law*, 52 DePaul L. Rev. 1063, 1066 (2003); Chris Buccafusco, *A Theory of Copyright Authorship*, 102 Va. L. Rev. 1229-95 (2016).

70 Russ Ver Steeg, *Sparks in the Tinderbox: Feist, "Creativity," and the Legislative History of the 1976 Copyright Act*, 56 U. Pitt. L. Rev. 549, 562 (1995) ("[D]elineating an exact definition for 'creativity' is probably futile.").

71 Goldstein, *supra* note 4, at 1175; *see also* Madison, *supra* note 4, at 332 ("[T]he fairest thing that may be said of the Copyright Act itself is that it points in multiple directions when asked 'what is the work?'"); Melville B. Nimmer, *The Subject*

and the term "work" also has cultural shades of meaning which don't necessarily coalesce with its legal meaning.[72] Scholarship has begun to explore the meaning of the "work" as a discrete entity.[73] The author has argued elsewhere that it may be impossible to extract the "work" from the doctrinal alloy mandating that works be fixed in "copies," original and authored,[74] and then separately inspect it. Nevertheless, that alloy, particularly the fixation doctrine, levies some definitional conditions that the "work" must satisfy, and which are particularly problematic for literary characters, as the following discussion demonstrates.

IX. WORKS MUST BE FIXED IN "COPIES"

The U.S. code clarifies that "[c]opyright in a work . . . subsists from its creation,"[75] and that a "work is 'created' when it is "fixed in a copy . . . for the first time."[76] "Copies" are defined as "material objects . . . in which a work is fixed . . . and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device."[77] A copy includes the material object, other than a phonorecord, in which the work is first fixed.[78]

We might say that the copy is *effectively* the work, reflecting a statutory assumption that the copy correlates with the author's intellectual conception. However, does the copy represent the limits of the work? After all, the copyright owner's exclusive rights extend beyond "the surface of

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Matter of Copyright Under the Act of 1976, 24 UCLA L. Rev. 978, 983 (1977) ("All that can be said by way of summary is that the concept 'works of authorship' is intentionally left vague under the Act.)"; Hughes, *supra* note 4, at 576 ("American copyright law is . . . full of defined terms, all built on one completely undefined term: the 'work.'"); Garcia v. Google, Inc., 786 F.3d 733, 741 (9th Cir. 2015) (en banc) ("The statute purposefully left 'works of authorship' undefined to provide for some flexibility.").

72 *See, e.g.*, Madison, *supra* note 4, at 328 ("What I am referring to here is the 'work' as a legal thing, which is related to, but conceptually and practically distinct from, the 'work' or 'the work of art' as an artistic or authorial object. Authors and audiences create artistic works; the legal system creates copyrightable (or copyright) works." For other meanings of "work," see *id.* at 333; Peter Jaszi, *Toward a Theory of Copyright: The Metamorphoses of "Authorship"*, Duke L.J. 455, 473 n.69 (1991).

73 *See* Sherman, *supra* note 4; Madison, *supra* note 4; Goldstein, *supra* note 4; Hughes, *supra* note 4; McCutcheon, *supra* note 4.

74 McCutcheon, *supra* note 4. The architecture of the statute confers copyright in "*original* works of *authorship fixed* in any tangible medium of expression" (17 U.S.C. § 102(a) (emphasis added)). It stipulates that works are "created" when first fixed in a "copy." 17 U.S.C. § 101 ("created").

75 *Id.* § 302.

76 *Id.* § 101 (defining "created").

77 *Id.* § 101 (defining "copies").

78 *Id.* § 101.

the object in which copyright subsists"[79] to prevent non-literal appropriation. Those rights encompass reproductions of *substantially similar*[80] manifestations of the work under the reproduction right,[81] and a host of modified expressions of the work under the derivative right.[82] Is the work thus, in truth, limited only by the expansive scope of these exclusive rights? That argument ought to be rejected, based on the fundamental, but important, distinction between the work, and the rights flowing from it. The fact that the exclusive rights may effectively extend the copyright owner's rights to substantially similar and derivative expressions does not retrospectively sanction claims by the copyright owner in nebulous abstractions. Thus, while the undefined "copyrighted work [may be] what the author says it is,"[83] the author/owner is prevented by a number of statutory and doctrinal limitations from asserting rights in vapor. Consequently, the scope of protection granted by copyright's exclusive rights does not directly translate to the definitional limits of the copyright work. In other words, the *work* is not equivalent to the *rights*, even if those rights practically extend the work. If the work does essentially correlate to the boundaries of the reproduction and derivative rights, then determining the limitations of the work will always be impossible, due to the "notoriously unsatisfactory and problematic"[84] substantial similarity tests, and to the downright confusing derivative right.[85] This would simply combine the

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79 Brad Sherman, *supra* note 4, at 104.

80 Nichols v. Universal Pictures Corp., 45 F.2d 119, at 121 (2d Cir. 1930) ("It is of course essential to any protection of literary property. . . that the right cannot be limited literally to the text, else a plagiarist would escape by immaterial variations.").

81 17 U.S.C. § 106(1) (2012) ("[T]he owner of copyright . . . has the exclusive rights . . . to reproduce the copyrighted work in copies.").

82 *Id.* § 106(2) (conferring on copyright owners the exclusive right to prepare derivative works based upon the copyrighted work). 17 USC § 101 defines a derivative work as:

> [A] work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a "derivative work."

83 Goldstein, *supra* note 4, at 1178.

84 Margot Kaminsky & Guy Rub, *Copyright's Framing Problem*, 64 UCLA L. Rev. 1102, 1119 (2017).

85 *See, e.g.*, 2 William F. Patry, Patry on Copyright § 3:46 (2018) ("[R]egrettably the understanding of derivative works is fast approaching incomprehensibility."); *see also* Pamela Samuelson, *The Quest for a Sound Conception of Copyright's Derivative Work Right*, 101 Geo. L.J. 1505, 1510 (2013) ("Mysteries abound about the proper scope of the derivative work right.").

nebulous with the amorphous, resulting in a monster of imprecision. The copyright work may begin as a mental abstraction of an author, but the pressures of fixation in particular are concertedly designed to strip away the abstraction and concretize the work.

The fiction of a work being "created" when fixed in a copy was designed to avoid authors asserting property rights in amorphous abstractions. It provides the certainty that is so fundamentally important in property law.[86] This recognises that we must look for the work in the copy, it being the only material reference point we have to ascertain the boundaries of any claimed work. Thus, in tethering the work to the first fixed copy, the work is limited to that expression, even if the derivative and reproductive rights inflate the zone of protection surrounding the work as defined in the copy. Thus characters must be located in fixed copies. Once we recall this essential statutory condition and policy imperative, it illuminates many of the problems underscoring claims that copyright can subsist separately in characters.

X. CHARACTERS CANNOT BE PERCEIVED, REPRODUCED, OR OTHERWISE COMMUNICATED FOR THE PURPOSES OF FIXATION

We must now turn to the definition of fixation under U.S. Code, because a work is only created when it is *fixed* in a copy. The statute provides that: "[a] work is fixed in a tangible medium of expression when its embodiment in a copy . . . is sufficiently permanent or stable to *permit it to be perceived, reproduced, or otherwise communicated* . . . for a period of more than transitory duration."[87] Thus in order for a character to be fixed, and therefore "created" as a discrete work, a character must be *capable of being perceived, reproduced, or otherwise communicated.* Each of these conditions hampers the ability to categorise the literary character as a fixed "work."

Unpacking the definition of fixation highlights a few important points. The first is that the *work* must be capable of being perceived, reproduced or communicated, and that this must be accommodated through the

[86] "To proceed without identifying the work in suit and without informing the enquiry by identifying the author and the relevant time of making or first publication, may cause the formulation of the issues presented to the court to go awry." Nine Network Australia Pty, Ltd. v. IceTV Pty., Ltd., (2009) 239 CLR 458, 493-96 [¶ 109] (Gummow, Hayne & Heydon, J.J.).

[87] 17 U.S.C. § 101 (2012). Note that the definition of fixation is not a definition of a work: "The definition clarifies the time at which a work is created. If the provision were a definition of 'work,' it would not use that term in such a casual manner. The Act does not contain a definition of 'work.'" Lewis Galoob Toys, Inc. v. Nintendo of Am., Inc., 964 F.2d 965, 968 (9th Cir. 1992).

work's embodiment in a *copy*. This confirms that it is through the copy that we effectively find the work. The second point to note is that the requirements of perception, reproduction, or communication are alternative, not cumulative.

The first requirement is the capacity for the work to be "perceived." The *Merriam-Webster* dictionary defines "perceive" as "to become aware of through the senses; especially: see, observe."[88] Although it is possible to "perceive" things conceptually in our minds, it is suggested that the doctrine of fixation is only concerned with a *sensory*, rather than intellectual, perception. This means we literally must be able to *see* the work and see it in the *copy*. As soon as we start looking beyond the physical copy to shape the boundaries of the work, we distort the concept of perception reflected in the doctrine of fixation and come dangerously close to conferring property in vague ideas.

The following discussion highlights a number of factors, often interrelated and overlapping, which impede the physical *perception* of characters in the copy, and which also correspondingly encumber the ability to *reproduce* or *communicate* characters. There are three main difficulties. The first is that literary characters cannot be located solely in the text, because they are partly formed through the reader's cognitive processes. The second, related, point is that literary characters cannot be identified as a separate coherent unit in the text, because the character is ordinarily incrementally revealed through fragmented expression dispersed throughout the text. This is related to the first point, because the reader is the agent who cognitively assembles the character from the fragments of expression. An additional difficulty flowing from this second point is that the character as work is not fixed "by or under the authority" of the author as required for copyright subsistence,[89] but by the reader. Finally, there is a tendency to "mosaic" characters through a number of discrete works in various media, meaning the character is not reflected in any *one* copy but is assembled through an amalgam of different works, with potentially diverse authors (and owners).

A. Imagining Literary Characters

Characters cannot be physically perceived in a copy because they result from an alchemy of text combined with imagination. This necessarily

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[88] *Perceive*, MERRIAM WEBSTER, https://www.merriam-webster.com/dictionary/perceive (last visited Jan. 18, 2019).

[89] 17 U.S.C. § 101 (2012) ("A work is "fixed" in a tangible medium of expression when its embodiment in a copy . . . *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." (emphasis added).

prevents characters from being found solely in the text. Judge Posner has suggested that "[a] reader of unillustrated fiction completes the work in his mind,"[90] and Professor Kurtz explains that "[a] character as such has no tangible existence outside the specific work or works in which it appears. It has independent life only as an abstraction, as an image in the mind of the reader or viewer."[91] The point is also made by literary theorists, who recognise that characterisation involves "the aspect of response, the imaginative re-creation of character in one's mind."[92] Shlomith Rimmon-Kenan explains that:

> Character, as one construct within the abstracted story, can be described in terms of a network of character traits. These traits, however, may or may not appear as such in the text. How, then, is the construct arrived at? By assembling various character-indicators distributed along the text-continuum and, when necessary, inferring the traits from them.[93]

We must recall that the domain of copyright is expression, not abstraction. The point is to distinguish between conceptual delineation and physical delineation. The alchemy of characterisation is remarkable, and we are richer for it. But characters exist in an abstract plane, beyond the material territory of copyright expression.

B. Works Are Not "Meaning" or "Memory," but Expression

Characters are impressionistic, and memory is faulty. Forster has described Becky Sharp as a "round character"[94] because "we do not remember her so easily . . . she waxes and wanes and has facets like a human being."[95] When we think back to a novel we read five, ten, or twenty years ago, our understanding of the character is hazy, unfocused, vague; almost a feeling. This is because:

> [W]hat we are attempting is a descriptive analysis of the quality of experience and in such a task method and subject stand in much the same relationship as a chemical formula to the distinctive tang of a fruit on the palate. So much is fugitive, evanescent, dies under scrutiny; nevertheless

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[90] Gaiman v. McFarlane, 360 F.3d 644, 661 (2004). Leaffer makes a similar statement: "The description of a character in prose leaves much to the imagination, whereas the impact of a graphic character is immediate, concrete, and unmediated." MARSHALL LEAFFER, UNDERSTANDING COPYRIGHT LAW 92 (2010).

[91] Kurtz, *supra* note 2, at 440; *see also* Kurtz, *Fictional Characters and Real People*, *supra* note 62, at 442 ("Literary characters . . . exist as abstract mental images, seen not by the eyes but with the mind. The author's words convey different images to different minds.").

[92] Rawdon Wilson, *The Bright Chimera: Character as a Literary Term*, 5 CRITICAL INQUIRY 725, 735 (1979).

[93] SHLOMITH RIMMON-KENAN, NARRATIVE FICTION: CONTEMPORARY POETICS 33 (1983).

[94] E.M. FORSTER, ASPECTS OF THE NOVEL 69 (1927).

[95] *Id.*

> we must labour, however clumsily, to follow the imaginative artist in his pursuit of experience.[96]

Nor is it correct to describe literary characters as *merely* ideas, as the creator of Francis the Talking Mule attempted to do for tax purposes:

> It is this Court's view that the character Francis, irrespective of its susceptibility to copyright, is 'a literary composition' and as such the income from the sale thereof is not entitled to capital gains treatment. The taxpayer concedes, as he must, that the novel, 'Francis,' in which the character Francis is the leading figure, is a literary composition, but he argues that Francis, the principal characterization in the book, is not. In this he is mistaken. The character Francis gets its definition and its delineation from the book. The literary description in the book composes the character. How can it be said that the book is a literary composition yet the main character delineated therein is not? A slice of the loaf is still bread. It would be absurd to attribute to Congress the intention, under the 1950 amendment, of covering whole literary compositions but not parts thereof . . .. Without the literary description of Francis, his mannerisms and his manifestations, Francis would cease to exist. In any event, an amorphous Francis could hardly be called 'property held by the taxpayer . . .. If Francis is, as taxpayer suggests, an "intellectual conception," sans form and substance, existing in the mind alone, it is incapable of ownership and, therefore, of being 'property held by the taxpayer.[97]

Instead, we must refocus on the tangible:

> By focusing on the intangible at the expense of the tangible, we lose sight of the material dimension of the work and the way that this interacts with the intangible. It also leads us to lose sight of the fundamental question: how does an immaterial form become visible and tractable in the first place? How is the intangible phantom that is the copyright work able to be presented for doctrinal analysis and speculation?[98]

Intuitively, we feel we "know" characters, as if they are real, individual personalities. We identify with them, invest in them emotionally, and they possess a psychological verisimilitude. We often "recall fictional characters vividly, yet not a single word of the text in which they came alive."[99] They are enduring. Indeed, they are immortal.[100] We also recognise characters when they are removed from their source and transplanted in foreign situations. They seem to have a life of their own which permits them to transfer seamlessly from one context, one work, to another. Thus, there is a temptation to argue that characters *must* be discernible in law. There is a disconnect between our deep, emotional

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96 WILLIAM J. HARVEY, CHARACTER AND THE NOVEL 34-35 (1965).

97 Stern v. United States, 164 F. Supp. 847, 852 (E.D. La. 1958).

98 Brad Sherman, *supra* note 4, at 104.

99 SEYMOUR CHATMAN, STORY AND DISCOURSE 118 (1978).

100 "Emma Bovary and every other character simply *is*. She may die, but she never vanishes." Daniel Brudney, *Styles of Self Absorption*, *in* COMPANION TO THE PHILOSOPHY OF LITERATURE 302 (Walter Jost & Garry L Hagberg eds., 2009).

engagement with characters, and the difficulty of identifying them.[101] If we are so moved by characters, and they seem so real to us, surely they must be "there"? As Gass expresses, "characters are clearly conceived as living outside language,"[102] even though "the belief in Hamlet (which audiences often seem to have) is like the belief in God — incomprehensible to reason."[103] And yet, ultimately, literary characters are an exquisite fictional fog, even if they produce concrete emotional responses. That is the elusive, mysterious nature of the literary character. And it best explains why they cannot be a work. The fact that characters may be able to be perceived *conceptually* as distinct entities does not convert them into *works*, which must be perceived concretely. The inevitable result is that copyright has been conferred on subjective, if potent, *impressions*.

C. *Characters Cannot Be Identified and Thus Cannot Be "Works"*

Fixation's requirement that a character must be capable of being perceived, reproduced, or otherwise communicated means that whatever the boundaries of the copyright work, a work must be *identifiable*. This does not mean a reader must be able to "identify" with the character as a believable and familiar entity. It means the character must be capable of identification. And this requires something more than being materially recorded. The words of a literary work, including those depicting the character, are materially recorded. But the proper question is: where is the character in the words? Is that character capable of being discretely perceived, reproduced, or communicated, as required under copyright?

As argued above, we must locate the character in the copy, and only there. The copy is the literal text, the words on the page. In one sense, characters can be "found" in the text. Characters must emanate from *somewhere*, after all, and all we have is the text and how that is interpreted. Chatman describes how "round" characters:

> may inspire a stronger sense of intimacy, despite the fact that they do not 'add up'. We remember them as real people. They seem strangely familiar. Like real life friends and enemies it is hard to describe what they are exactly like.[104]

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101 Professor Tushnet has made a similar point about our responses to images. See Rebecca Tushnet, *Worth a Thousand Words: The Image of Copyright*, 125 HARV. L. REV. 683, 723 (2012) ("Because we understand how pictures work so poorly, yet experience them so powerfully, aesthetic choices unpredictably appear either as creative (non-reality-based) decisions or as simple transmissions of truth or facts.").

102 WILLIAM H. GASS, FICTION AND THE FIGURES OF LIFE 35 (1970).

103 *Id.* at 36.

104 CHATMAN, *supra* note 99, at 32. Note that the "round character" concept was rejected by the Seventh Circuit. *See* Klinger v. Conan Doyle Estate, Ltd., 755 F.3d 496 (7th Cir. 2014).

In copyright, the task is more difficult. It is hard to describe *where they exactly are.*

A literary character can never exist as a discrete literary work, because it is necessarily inextricably interwoven into a work. This is true whether the characters are flat or round, developed or undeveloped, complex or simple, post-modern or traditional. Forster argues that flat characters can be "expressed in one sentence."[105] This of course is disingenuous; even flat characters tend to be described and articulated *throughout* the novel. The point is that if literary characters are a copyright work, they must be comprised of words, and those words are scattered throughout the novel. What those words do, or evoke through the magical process of characterisation, is another matter. But in terms of identifying the *work*, we must look for it in the words. And where the words are dispersed, so is the character. Characters are thus not amenable to easy excision from the works in which they exist. They are not "micro works," independent, discrete, discernible units situated in a larger work, but are sutured into the very fabric of the work. If we use a medical analogy, we may think of a literary work as a body. Constituent units like words, sentences, and chapters may be regarded as a node, finger, or limb, easily removed from the work; whereas characters filter through the very bloodstream of the novel. Indeed, characters are often referred to as the 'lifeblood' of the novel, and it is an apt analogy. They travel through the novel just as blood circulates through a body. Characters are dispersed literary *elements*, not literary works. As one literary theorist explains:

> Few critics, whose methods were not derived entirely from psychoanalysis, would wish to advocate abstracting characters from their fictional environment for an analysis in vitro. . .. No doubt, characters are functions of their context and, like pieces in a game, methodologically unabstractable.[106]

Thus, to identify the character, it would be necessary to *pick through* the thousands of words comprising a novel and isolate those encompassing the character. To find the "character" in that morass requires a filtering process which is not required when identifying graphic characters.[107] This is problematic, because when asked to ascertain the character, each reader would assemble a different list of words. As Learned Hand has said, the arbiter would have to "rely upon the complex of his impressions of each

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105 FORSTER, *supra* note 94, at 67-68.

106 Wilson, *supra* note 92, at 725-49, 733.

107 Marks, *supra* note 53, at 53 ("The conceptual difficulty in trying to extricate a literary characterization as a separate entity is not present with respect to extricating the visual appearance of a cartoon character. The copyright on a book, periodical, or trade catalogue protects each individual picture or illustration contained therein as if it had been individually copyrighted.").

character,"[108] and as Hamon notes, a character is as much a reconstruction of the reader as a construction of the text.[109] The impossibility of identifying characters is demonstrated by numerous court decisions. Every time a judge has tried to define a character or explain their requisite delineation to qualify as copyrightable, they simply demonstrate the impossibility of the task:

> Tarzan is the ape-man. He is an individual closely in tune with his jungle environment, able to communicate with animals yet able to experience human emotions. He is athletic, innocent, youthful, gentle and strong. He is Tarzan.[110]

Judge Posner didn't attempt the feat in *Gaiman*;[111] he simply quoted a physical description of Sam Spade from the novel.[112] He made the valid point that there is "still more"[113] unsaid even with this fairly detailed textual portrait because the reader completes the character in their mind. The point is apt, but there is even more textual material to process in the conceptual completion by the reader than Judge Posner suggests. The additional characterisation of Sam Spade, for example, continues past this quoted excerpt, and certainly beyond Spade's physical attributes. It accumulates every time Spade bumps against another character, responds to an incident, person or an environment, speaks, thinks, or acts. Characterisation is more than the literal description of a character's physical features, the so-called "word portraits" referred to in *Silverman v. CBS. Inc.*[114] and quoted by Judge Posner. The characterisation of Sam Spade continues until the last page. As the court acknowledges in *Warner Brothers, Inc. v. American Broadcasting Companies, Inc.*, what a character

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108 Nichols v. Universal Pictures Corp., 45 F.2d 119, 123 (2d Cir. 1930).

109 "[A]utant une reconstruction du lecteur qu'une construction du texte." Philippe Hamon, *Pour un statut sémiologique du personnage*, 6 LITTERATURE, 86, 119 (1972), *cited in* MARISSA BORTOLUSSI & PETER DIXON, PSYCHONARRATOLOGY: FOUNDATIONS FOR THE EMPIRICAL STUDY OF LITERARY RESPONSE 136 (2003).

110 Burroughs v. Metro-Goldwyn-Mayer, Inc. 519 F. Supp. 388, 391 (S.D.N.Y. 1981).

111 Gaiman v. McFarlane 360 F.3d 644 (7th Cir. 2004).

112 The novel states:

> Samuel Spade's jaw was long and bony, his chin a jutting v under the more flexible v of his mouth. His nostrils curved back to make another, smaller, v. His yellow-grey eyes were horizontal. The v motif was picked up again by thickish brows rising outward from twin creases above a hooked nose, and his pale brown hair grew down — from high flat temples — in a point on his forehead. He looked rather pleasantly like a blond satan.

DASHIELL HAMMETT, THE MALTESE FALCON 3 (First Vintage Crime/Black Lizard ed. 1992) (1930), *quoted in Gaiman*, 360 F.3d at 660-61.

113 *Gaiman*, 360 F.3d at 661.

114 Silverman v. CBS, Inc., 870 F.2d 40, 50 (S.D.N.Y. 1986).

"thinks, feels, says, and does and the descriptions conveyed by the author through the comments of other characters in the work episodically fill out a viewer's understanding of the character."[115]

Another example of the impossibility of identifying a literary character as a discrete work is provided by the court in *Bach v. Forever Living Products*.[116] In applying Learned Hand's delineation test, the court stated:

> In determining whether a character deserves copyright protection, courts look at the many elements of the character — visual depictions, name, dialogue, relationships with other characters, their actions and conduct, personality traits, and written descriptions — to determine whether it is sufficiently delineated such that it is a unique expression.[117]

The court went on to state:

> Plaintiffs contend that the Jonathan Livingston Seagull character is a "one-of-a-kind seagull — a thinking, talking, philosophizing, risk-taking, limit-testing seagull." (Pls.' Resp. at 7). Specifically, they explain that Plaintiffs' expression, *revealed through the dialogue, thoughts, actions, and interactions in the book*, is:
> (1) an image of an ordinary seagull;
> (2) with an extraordinary name, Jonathan Livingston Seagull;
> (3) who is anthropomorphized into a human-like character who distinguishes himself by flying higher and faster and farther than any gull has ever flown before;
> (4) and who emerges as an extraordinary and enlightened seagull who teaches other seagulls so that they might similarly lift themselves from a conventional life of scavenging the shores for food to extend themselves and succeed beyond their ordinary lives.
> (Pls.' Resp. at 7–8). *This description accurately reflects Plaintiffs' rendering of the Jonathan Livingston Seagull character in the novel.*[118]

This last sentence may strictly be correct. This is a perfectly plausible *summation* of the Jonathan Livingston character, but it doesn't help us identify Jonathan Livingston Seagull as a *work*. As with the clunky summary of traits apparently conjuring Tarzan, a summary *by the court* is distinct from, and can never approximate, the words chosen by the author to craft the character. As the court itself recognises, the expression from which Jonathan Livingston Seagull emerges as a character is found "through the dialogue, thoughts, actions, and interactions in the book."[119]

The nature of characters makes it virtually impossible to identify them as a "work." Unlike news headlines, or paragraphs or sentences, it is not possible to point to a literary character and say, "there it is." The

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115 720 F.2d 231, 241-42 (2d Cir. 1983)
116 Bach v. Forever Living Prods. U.S., Inc., 473 F. Supp. 2d 1127 (2007).
117 *Id.* at 1134.
118 *Id.* at 1135 (emphasis added).
119 *Id.*

character is not merely contained in the copy, it is *interred*. Unlike Kaminsky and Rub,[120] I do not see this as a framing problem. Whether one zooms in or zooms out, it is equally impossible to perceive the character as a discrete entity. We need to develop a nomenclature of "zooming *through*" in order to grasp the kind of framing (or a more apt word is "capturing") that occurs with literary characters. In essence, courts "zoom through" the entire literary work,[121] notionally collecting the dispersed expressions constituting the character like a sieve passed through leaf-strewn water. Thus, literary characters are quintessentially elusive. Trying to accurately identify them is like grasping at smoke. They emerge from incremental exposition over the course of the literary work. Forster describes them as "word-masses."[122] Some of those words are character indicators, others are plot, setting, or theme descriptors. And yet when we finish the book and "look" for the character, where do we find it? It is not possible to identify any particular point where the character catalyses. Thus, a literary character is not perceptible in the copy for the purposes of fixation, because it is necessary to see the *work* as a unitary whole, not as dispersed fragments. See the building, not the building materials or the elements that comprise it.

D. Characters Are Not Micro Works

Fixation does not necessarily resolve the question of whether works might just be *contained* in copies, or whether works and copies must absolutely correspond. This presents the so-called "framing"[123] or "micro works"[124] problem in copyright, which is germane for present purposes, because literary characters, if they exist at all as independent works, are situated in larger literary works.

Taking a few sequential notes from a larger musical work is equivalent to taking a sentence from a novel. Both excisions can be clearly identified. The same cannot be said for the words that cumulatively comprise a character, which are scattered throughout the novel. *Technically*, these dispersed sentences and paragraphs can be separated from the whole, but unlike the excised run of musical notes, the words would lie disconnected, scattered, and incoherent. They would need to be reassembled into a composite whole to (re)constitute the character.

Likewise, a five second film performance in a film is not an independent "work."[125] Note, however, that this conclusion is necessary to avoid

120 Kaminsky & Rub, *supra* note 84.
121 And, as will be argued below, often through many disparate works.
122 FORSTER, *supra* note 94, at 44.
123 Kaminsky & Rub, *supra* note 84.
124 Hughes, *supra* note 4, at 576.
125 Garcia v. Google, Inc., 786 F.3d 733 (9th Cir. 2015).

an infinite fragmentation of the copyright in a film,[126] not because the performance cannot be separately *identified*. In *Garcia v. Google*, the court followed the copyright office's practice of denying copyright claims by individual actors in performances, because "[f]or copyright registration purposes, a motion picture is a single integrated work."[127] In a scholarly article, one of the *Garcia* judges said "Garcia's five second performance is not a work, separate and apart from the film in which it appears. One can't 'cherry pick' bits and pieces from a unitary work."[128] Of interest are the descriptions of a motion picture as "a single integrated work," and a "unitary work"[129] as the basis for denying separate copyright in the performance. This also applies to the larger works in which literary characters are situated. The constituent elements of novels, including their characters, are far more *integrated* than the constituent and largely sequential elements of films.

A more apt analogy can be found in *16 Casa Duse, LLC v. Merkin*,[130] in which a director argued that he could copyright his creative contributions to a film, and that he owned copyright in the "raw film footage" that he shot as director. The court stated:

> This case requires us to answer a question of first impression in this Circuit: may a contributor to a creative work whose contributions are inseparable from, and integrated into, the work maintain a copyright interest in his or her contributions alone? We conclude that, at least on the facts of the present case, he or she may not.[131]

The court explained how many works, particularly motion pictures, contain contributions from multiple individuals which merge into a unified whole. However:

> the Act lists none of the constituent parts of any of these kinds of works as "works of authorship." This uniform absence of explicit protection

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126 *Garcia*, 786 F.3d at 737 (Garcia's claim was "likened to 'copyright cherry picking,' which would enable any contributor from a costume designer down to an extra or best boy to claim copyright in random bits and pieces of a unitary motion picture without satisfying the requirements of the Copyright Act.").

127 *Id.* at 741.

128 Margaret McKeown, *Censorship in the Guise of Authorship: Harmonizing Copyright and the First Amendment*, 15 CHI.-KENT J. INTELL. PROP. 1, 6 (2015).

129 *See also* Blizzard Entm't, Inc. v. Lilith Games (Shanghai) Co., Ltd., 2017 Copr. L. Dec. ¶ 31, at *8 (N.D. Cal. 2017) ("Each individual version is also a unitary work."). Movies, for example, almost always make up a 'unitary whole' with 'inseparable and interdependent parts,' 17 U.S.C. § 101, because the direction, acting performances, cinematography, costume design, and all the rest merge into one integrated work."); Richlin v. Metro-Goldwyn-Mayer Pictures, Inc., 531 F.3d 962, 975 (9th Cir. 2007) ("A motion picture is a work to which many contribute; however, those contributions ultimately merge to create a unitary whole.").

130 791 F.3d 247 (2d Cir. 2015).

131 *Id.* at 254.

> suggests that non-freestanding contributions to works of authorship are not ordinarily themselves works of authorship.[132]

The court found support for its conclusion in the definition of "joint work,"[133] which also requires inseparable or interdependent contributions merging into a unitary whole,[134] suggesting that "such inseparable contributions are not themselves 'works of authorship.'"[135]

If it is the case that the "integrated" and "inseparable" nature of a director's contribution to a film, which filters through the work, is not itself a work, then how can it be said that a character — which equally pervades the novel and is inseparable from its context — can be?

This is not even a postmodern dilemma about readers supplanting authors, and texts being unfixed in meaning and form. It may be thought that identification of a work must always be compromised because we all interpret works differently. Different readers may read the same essay and reach varied conclusions as to its central thesis or meaning. Paintings may produce different responses in different viewers. The author may truly be dead.[136] However, copyright imposes no requirement that the *meaning* of works be perceived consistently by different audiences. As argued above, the critical condition for copyright subsistence is that the work be *expressed* in an identifiable way in the copy. The important question is whether the *material* boundaries of the essay or painting are contestable, not the meaning. Provided all the disparate interpreters understand the dimensions of the work being interpreted, it is an identifiable work, even if the meaning is disputed and varied. The same cannot be said with respect to literary characters, due to the dispersed nature of the expression forming the character and the aggregative[137] process of characterisation, whereby the character is gradually revealed by almost imperceptible increments. This means "there is not a little trouble in extricating 'character' as a separately copyrightable element."[138]

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132 *Id.* at 256-57.

133 17 U.S.C. § 101 (2012).

134 *16 Casa Duse*, 791 F.3d 257.

135 *Id.*

136 Roland Barthes, *The Death of the Author*, *in* IMAGE-MUSIC-TEXT (Stephen Heath ed., 1977).

137 Warner Bros. v. Am. Broad. Cos., 720 F.2d 231, 243 (2d Cir. 1983) ("A character is an aggregation of the particular talents and traits his creator selected for him."); *see also* Parton v. Prang, 8 F. Cas. 1273, 1276 (C.C.D. Mass. 1872) (No. 10,784) (explaining how, in reading literary text describing an object, the reader must engage in "the labor of aggregating the same into a whole and presenting to his perceptions an ideal of the described object").

138 BENJAMIN KAPLAN, AN UNHURRIED VIEW OF COPYRIGHT 51 (1967) ("[L]iterary characters in plays, as in novels, achieve their distinctness in large part by being made to react to the particular flux of incident in the particular milieu

Rimmon-Kenan states that a "character is a construct, put together by the reader from various indications dispersed throughout the text."[139] The dual notions of construct and dispersion underscore the major problem besetting both the character as work doctrine, and infringement of character. The *dispersion* of character indicators means the character is at large in the text: "any element in the text may serve as an indicator of character."[140] The fact that a character is a *construct* means that, to state the obvious, it is constructed. It is not presented as a fait accompli, or a built object. The reader is given the individual tools to build the character, meaning the construction can only occur through the process of reading.

Extracting the literary character from the chaos of words in a novel also raises the question of who arbitrates the boundaries of that selection. In the limited case law thus far, courts have attempted to establish the requisite delineation of character. But who is to say that this accords with the *author's* conception of that character? Who is to say that this composition of words has truly captured the work? In the absence of a clear copy encompassing the character/work, it is impossible to test whether either the judge's or the author's assertions reflect it. As Gass states, "from any given body of fictional text, nothing necessarily follows, and anything possibly may."[141]

E. Works Must Be Fixed by or Under the Authority of the Author

The preceding discussion points to an additional obstacle posed by the U.S. fixation requirement, which mandates that the copy of the work must be fixed "by or under the authority of the author."[142] Put simply, it is incumbent on the *author* to fix the work, not the reader to *find* it. And this is exactly what readers do. As Australian author Craig Silvey puts it, "[a] reader picks up a constellation of letters and breathes life into them and it's theirs. They do the work, they do the heavy lifting, and it exists inside them."[143] As argued above, it is technically true that we can "see" a character in the novel, since all the words are there for us, and from them we assemble the character. However, it is the assembly process that poses the problem. While the author has supplied the words, the assembly relies on reader labour, and that assembly may or may not generate the character as conceived by the author. It is both unjust and unworkable to require potential downstream users of characters to sift through the words to find

. . . . Thus there is not a little trouble in extricating 'character' as a separately copyrightable element . . . .").

139 RIMMON-KENAN, *supra* note 93, at 37.

140 *Id.*

141 GASS, *supra* note 102, at 36.

142 17 U.S.C. § 101 (2012).

143 Carrie Cox, *True to His Words*, WEST WEEKEND, Feb. 2017, at 8.

the indications of character that constitute it. How is the reader to know that they have collected the correct indicators, when each reader assembles their own unique constellation? Thus, the work is not fixed *by* or even under the authority of the author who has "authorized" the reader's actions. If it is fixed at all, it is fixed by the reader "finding" and notionally collecting the words that constitute the character. But copyright works are not "found"; they are *presented.*

XI. THE PLACE OF LITERARY THEORY IN SITUATING CHARACTERS IN COPYRIGHT

Literary theory is only partially useful in explaining the place of literary characters in *copyright.* Literary theorists have argued endlessly over the nature of character in fiction and have illuminated the complexity of characterisation, neatly exemplified by Gass, who asks of a literary character:

> What is Mr. Cashmore? Here is the answer I shall give: Mr. Cashmore is (1) a noise, (2) a proper name, (3) a complex system of ideas, (4) a controlling conception, (5) an instrument of verbal organization, (6) a pretended mode of referring, and (7) a source of verbal energy.[144]

Gass then explains his formula in a footnote:

> His name (2) locates him, but since he exists nowhere but on the page (6), it simply serves to draw other words toward him (3), or actualize others, as in conversation (7), when they seem to proceed from him, or remind us of all that he is an emblem of (4), and richly interact with other, similarly formed and similarly functioning verbal centers (5).[145]

To grossly simplify literary theory on characterisation, at one extreme, characters are regarded as individuals existing independently from the text.[146] Marvin Mudrick dubs this the "'realistic' argument [which] . . . insists that characters acquire, in the course of an action, a kind of independence from the events in which they live, and that they can be usefully discussed at some distance from their context."[147] The other extreme locates characters only in the text, perhaps best represented by Weinsheimer's assertion that "characters dissolve and only text remains."[148] Mudrick calls this:

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144 GASS, *supra* 102, at 44.

145 *Id.* at 44 n.8.

146 GIUSEPPINA BALOSSI, A CORPUS LINGUISTIC APPROACH TO LITERARY LANGUAGE AND CHARACTERIZATION 21 (2014).

147 Marvin Mudrick, *Character and Event in Fiction*, 50 YALE REV. 202, 211 (1961), *cited in* RIMMON-KENAN, *supra* note 93, at 31-32.

148 Joel Weinsheimer, *Theory of Character: Emma*, 1 POETICS TODAY 208 (1979), *quoted in* BALOSSI, *supra* note 146, at 22.

> The "purist" argument . . . [which] points out that characters do not exist at all except in so far as they are a part of the images and events which bear and move them, and that any effort to extract them from their context and to discuss them as if they are real human beings is a sentimental misunderstanding of the nature of literature.[149]

Copyright's preoccupation with the protection of expression and not ideas is best reflected in Weinsheimer's approach to character. The character-as-work doctrine too heavily adopts the "realistic" argument, rather than the "purist" argument which more closely accords to copyright.

There is likely a mid-point, which attempts to reconcile the two opposing extremes, accurately (it is suggested) regarding characters as both a textual and a conceptual construct, acknowledging the limitations imposed by the text, but also the inferencing and cognitive processes undertaken by readers informing conceptions of character. This synthesis is recognised by Docherty: "it is in the interaction of the writer's language with the positions it affords the reader that the element of the text which we call 'character' is produced."[150] As argued above, characters are produced through alchemy, and readers are the magician's assistant.

Literary theorists' relentless arguments about the meaning of character are often best described as discussions about the *process of characterisation*. This brings home a truth about characters — they are closer to a process than a thing. Literary theory helps us understand that character is an effect, it is not an entity. Copyright requires a thing. This is really a distinction between the character and *characterisation*. Characterisation cannot be a work. It's a verb; a process. Indeed, under U.S. law, characters apparently offend the prohibition on copyright for methods or processes.[151]

XII. CHARACTERS AND KINESIS

The processional nature of characterisation relates to another argument impugning the character-as-work doctrine: that characters change and develop through the text.[152] If works are inherently kinetic, it can be difficult to pin them down sufficiently to perceive them for the purposes of

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[149] Mudrick, *supra* note 147, at 211 (1961), *cited in* RIMMON-KENAN, *supra* note 93, at 32.

[150] THOMAS DOCHERTY, READING (ABSENT) CHARACTER at xiii-xiv (1983); *see also generally* BALOSSI, *supra* note 146, at 28 (discussing the work of Fishelov, Chatman, Toolan, van Peer, Mead, and Culpeper).

[151] 17 U.S.C. § 102(b) (2012) ("In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.").

[152] They also evolve through derivative texts featuring the character such as sequels, however it is argued below that characters cannot be "mosaiced" through a

fixation.[153] Professor Said has explained how there is a certain kinesis to literary characters which can problematize fixation: "[a]wareness of character's evolution through reading would suggest that, beyond their existence in words on the page, characters may fail to meet copyright's fundamental requirement of fixation."[154] Gass has suggested that "[w]e pass most things in novels as we pass things on a train. The words flow by like the scenery. All is change."[155] But these are notions of *conceptual* change. Provided the copy is stable, the nonmaterial changes wrought by our evolving, indeed mutable, intellectual conceptions of a character are irrelevant. Copyright suffers if there are problems with *material* kinesis (such as a morphing garden), whereas the kinesis wrought through the alchemic processes of characterisation and the synergy of reader interpreting text is a *conceptual* kinesis, which is not essentially problematic for the purposes of copyright subsistence.

XIII. "MOSAICING" CHARACTERS

An Australian Federal Court decision has noted that "[e]ach literary work is a distinct item of incorporeal property and copyright litigation is concerned with the protection of particular works, not, in a global sense, with the present and future works of particular authors."[156] Numerous character decisions apparently ignore this sage observation. Judges often describe characters as entities which culminate after a process of development across a number of separate works, even if the characterisation process is undertaken by diverse authors across various media.[157] Characters are regarded as an amalgam arising from multiple works. For example, in *Metro-Goldwyn-Mayer, Inc. v. American Honda Motor Co*,[158] the court described how the James Bond character was "*expressed and delineated in Plaintiffs' sixteen films*,"[159] and that Bond "as developed in the sixteen films is the *copyrighted work at issue*."[160] Indeed the court refers to Bond

plethora of works. At best, each character in each derivative work is a discrete work.

153 For example, in *Kelley v. Chicago Park District*, 635 F.3d 290 (7th Cir. 2011), the Seventh Circuit held that a living garden was too inherently unstable and changeable to be fixed for the purposes of copyright subsistence.

154 Said, *supra* note 1, at 787.

155 GASS, *supra* note 102, at 49.

156 Re Aitken v. Neville Jeffress Pidler Pty., Ltd., [1991] FCA 651; (1991) 33 FCR 418 (Dec. 20, 1991), at [8].

157 Discussed further *infra*.

158 Metro-Goldwyn-Mayer, Inc. v. Am. Honda Motor Co, 900 F. Supp. 1287 (C.D. Cal. 1995).

159 *Id.* at 1293.

160 *Id.*

as a "cultural phenomenon,"[161] which alludes to the location of Bond as a character external to the "work."

The same claim was made by the court in *Pannonia Farms, Inc. v. USA Cable*,[162] suggesting that "the Holmes and Watson characters *have been delineated in over fifty stories* that no longer possess copyright protection."[163] Were they "delineated" *over* those fifty stories, or in the first one with subsequent modifications to that "delineated" character?

In *DC Comics v. Towle*,[164] the Ninth Circuit found copyright in the character of the Batmobile car after considering the characteristics of the vehicle across the entire Batman series. In *Film Video Releasing v. Hastings*,[165] the court described how "[t]he character of Hopalong Cassidy really was forged in the book *Hopalong Cassidy* (1910) and the *Coming of Cassidy* (1906). It was continued *and developed through the whole series*."[166] In *Silverman v. CBS, Inc.*[167] the court had "no doubt" that the *Amos 'n' Andy* characters "were sufficiently delineated in the pre-1948 radio *scripts* to have been placed in the public domain when the scripts entered the public domain."[168] Again, the character development occurred across a plurality of *scripts*. There was a similar tendency to extract the character from a fusion of several works in *Anderson v. Stallone*.[169] It was "the Rocky characters developed in *Rocky I, II* and *III*"[170] that were allegedly infringed. Note the court's statement that the characters were *developed* across these three films, implying that no one particular film encapsulates the Rocky characters. In the "Ed Anger" case, *Klinger v. Weekly World News*, the work was clumsily defined as follows:

> The counterclaim has alleged the necessary elements to state a claim for copyright infringement. First, the counterclaim has pointed to the *specific, original work that is the subject of the claim* in that it has asserted infringement of the character "Ed Anger" *as that character has been de-*

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161 Danjaq, LLC v. Sony Corp., 263 F.3d 942, 947 (9th Cir. 2001) (McKeown, J.) (describing the "almost forty-year dispute over the parentage and ownership of a cultural phenomenon: Bond. James Bond.").

162 Pannonia Farms, Inc. v. USA Cable, No. 03 CIV. 7841 (NRB), 2004 WL 1276842 (S.D.N.Y. June 8, 2004), *aff'd in part, dismissed in part*, 426 F.3d 650 (2d Cir. 2005).

163 *Id.* at *9.

164 DC Comics v. Towle, 802 F.3d 1012 (9th Cir. 2015).

165 Filmvideo Releasing Corp. v. Hastings, 509 F. Supp. 60 (S.D.N.Y 1981).

166 *Id.* at 65 (emphasis added).

167 Silverman v. CBS, Inc 870 F.2d 40 (S.D.N.Y. 1986).

168 *Id.* at 50.

169 Anderson v. Stallone, 11 U.S.P.Q.2d 1161, 1165-67 (C.D. Cal.1989).

170 *Id.*

veloped in approximately 450 of the defendant's copyrighted publications which included "Ed Anger" essays or editorials.[171]

Here, there is simultaneous mention of a single "specific work" and 450 others giving rise to the character. In *Rice v. Fox Broadcasting Co*, the court stated that "cases finding copyrightable characters have typically seemed to implicitly require that the characters appear several times, in different *books*, movies, *or other presentations*, and that their attributes have been *consistently* portrayed in those various appearances."[172] It held that the defining feature of "the sort of 'character' to which copyright protection may attach . . . is that they are *larger than a single production or visual representation, and in essence transcend the boundaries of any one copyrighted work.*"[173] This overtly claims that characters are composites of more than one work, and indeed that they exist outside any particular work. But as emphasised above, the work must correlate to a copy, the "single production or visual representation" referred to, but disregarded, by the *Rice* court.

These cases demonstrate the tendency to throw every conceivable copyright work that may ground an action at the defendant and hope one or more of them will stick, or rather, the *combination* will. Plaintiffs and courts fail to articulate the particular works that have been allegedly infringed. For example, in *Warner Brothers, Inc. v. American Broadcasting Companies, Inc.*,[174] the plaintiffs alleged that the television series *The Greatest American Hero* infringed copyright in "the fictional character Superman, the hero of *comic books, television, and more recently films*."[175] The plaintiff claimed copyrights "in *various works* embodying the character Superman *and have thereby acquired copyright protection for the character itself.*"[176] There is no careful or clear explanation of how the particular expression of a specific work was appropriated by the defendant. This is now the common method of pleading character copyright. For example, in the Axanar dispute,[177] the plaintiffs alleged their *Star Trek* characters were "depicted in audiovisual *works*, with consistent character traits, for many years" and the disputed character, Garth of Izar, was "sufficiently delineated . . . not just in films, but also in works like a 2003

171 Klinger v. Weekly World News, Inc, 747 F. Supp. 1477, 1481 (S.D. Florida, 1990).
172 Rice v. Fox Broad. Co., 148 F. Supp. 2d 1029, 1055 (C.D. Cal. 2001) (emphasis added).
173 *Id.*
174 720 F.2d 231, 241-42 (2d Cir. 1983).
175 *Id.* (emphasis added).
176 *Id.* (emphasis added).
177 Notice of Motion and Motion for Partial Summary Judgment, at 8, Paramount Pictures Corp. v. Axanar Prods., Inc., No. 2:15-cv-09938-RGK-E, 2016 WL 2967959 (C.D. Cal. Nov. 16, 2016).

published novel titled Garth of Izar and the Four Years War supplement to Star Trek: The Role Playing Game."[178] The character was described as "*further developed*" in these latter works.[179]

Commentators perpetuate this view that characters emerge from a cumulative patchwork of expression. Patry notes that: "[L]iterary characters, may take time to develop, over multiple stories or films. In order for this to occur, however, there must be a core of constant traits or attributes that make the character that character rather than any other character in the same genre (e.g., superheroes)."[180] Likewise, Goldstein's understanding of a sufficiently delineated character seems to require the manifestation of that character in more than one setting: "[a] literary character can be said to have a distinctive personality, and thus to be protectable, when it has been delineated to the point at which its behavior is relatively predictable so that, when placed in a new plot situation, it will react in ways that are at once distinctive and unsurprising."[181] This bases copyright subsistence on an untested hypothetical. If the character *hasn't* been placed in a new plot situation, how can we test its predictability and distinctiveness?

This character mosaicing is the inverse of the aggregation analysis[182] in copyright infringement disputes.[183] In amalgamating the character from across different works, now we have an aggregation process determining *subsistence*. But this cannot be a proxy for character *identification*, which, as argued above, is essential to copyright subsistence. It may be possible to consider a series of novels or television episodes as a work,[184] but that does not resolve the problems discussed in this article. We still

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178 Eriq Gardner, *"Star Trek" Fan Film Lawsuit Boldly Goes Where No 'Star Trek' Lawsuit Has Gone Before,* The Hollywood Reporter (Nov. 17, 2016), http://www.hollywoodreporter.com/thr-esq/star-trek-fan-film-lawsuit-boldly-goes-no-star-trek-lawsuit-has-gone-before-948252 (emphasis added).

179 Paramount Pictures Corp. v. Axanar Prods., Inc., Notice of Motion and Motion for Partial Summary Judgment, No. 2:15-cv-09938-RGK-E, at 8 (Nov. 16, 2016).

180 2 Patry, *supra* note 85, § 3:164.

181 Goldstein, *supra* note 22, § 2.11.3, at 158.

182 *See* Ariel M. Fox, *Aggregation Analysis in Copyright Infringement Claims: The Fate of Fictional Facts*, 115 Col. L. Rev. 661, 663-64 ("A court must decide whether to examine material taken from each of a plaintiff's individual works (such as the individual episodes of a television show or each book in a series) or to analyze the body of works collectively. The latter approach has been referred to as 'aggregation' analysis, approach, or theory.").

183 *See, e.g.*, Warner Bros. Entm't v. RDR Books, 575 F. Supp. 2d 513 n.14 (S.D.N.Y. 2008) (books in the Harry Potter series were aggregated because "the Harry Potter novels tell one coherent narrative in a series"); *see also* Castle Rock Entm't, Inc. v. Carol Publ'g Grp., Inc., 150 F.3d 132,135-36 (2d Cir.1998) (*Seinfeld* television series regarded as a single unit).

184 Although it is more difficult to accept that a combination of the diverse media of films and novels is a "work."

cannot identify the character as a discrete, clearly bounded, expressed work, whether we define the work housing that character as a single novel or a series of them. Indeed, it further muddies the work identification process and confirms the flaw in the character as work doctrine. The reader must now discern what elements of the character can be extracted from not one, but *many*, films, novels, or other expressions, and must *reassemble* those elements from all of those sources into an autonomous whole that somehow hovers above all of the source works. This may be what happens cognitively, conceptually, and culturally with our understanding of character, but that process does not, and cannot, translate to copyright doctrine. The suggestion in these "mosaicing" exercises that a fundamental problem in identifying a character can be cured by compounding the problem through further diluting the character in a morass of media is, clearly, illogical. And the suggestion that a work is something that can traverse several other works and be located as a discrete entity somehow separate from those works finds no counterpart in copyright law. It clearly regards characters as ideas abstracted from numerous works.

More accurately, each separate *literary* work is original, because it involves new settings, incidents, and probably new characters as well. However, it is the work in a holistic sense which is original. It is erroneous to suggest that the second, third, and fourth appearance of a character constitutes new original works. Equally, it is erroneous to suggest that a single character can be distilled as some separate entity from the aggregate of sequels. Authors write completed works containing particular expression. And if they write a sequel, they write another work containing different expression. If characters are not accretive amalgams of their various instantiations, it is quite possible that they are separate "versions"[185] of a work as they appear in each installment, or even that they are works prepared over a period of time.[186] However, this has never been claimed in any of the case law concerning characters, and except in the case of authors deliberately setting out to write a series of novels (a common enough phenomenon in this age of the trilogy), it is difficult to say that authors "prepare" characters over a period of time. In any event, it again doesn't solve our identification problem, but only exacerbates it. Whether characters are prepared over a period of time or not, we still need to identify them *at some point* to fix them as a copyright work. And if they are each different "versions," we still need to identify the character in each version.

185 When a work has been prepared in different versions, each version constitutes a separate work. 17 U.S.C. § 101 (2012) (defining "created").
186 *Id.*

XIV. CHARACTERS INFECTED BY DERIVATIVE WORKS

Similar to the aggregative process referred to above, where characters are alleged to develop and shape over a series of works, we can also see how characters can be an amalgam of the totality of impressions — literal, aural, and graphic — we receive through cultural appropriation and manifestation of that character. Who *is* Harry Potter now? Is he only what we draw from the literary text of the books? Or only the first book? Or each book? Or is he a combination of the literary texts and graphic renditions depicting him, combining: the Harry Potter derived from J.K. Rowling's novel, Steve Kloves and Michael Goldenberg's screenplays, the book cover illustrations, promotional, marketing and merchandising material, and the aural and visual stimuli of Daniel Radcliffe's performances?

There is another point that is overlooked in these scenarios. When assertions are made that a "film" or comic book character has been infringed, the implication is that the source of copyright in the character is its graphic rendition in film or television, or in the comic book. It is often asserted that graphic characters are more amenable to copyright protection. However, this visual-centric conception of character ignores the reality that these media usually capture more than the graphic dimensions of the character. The finding of infringement, or the conception of the propertized character, may also be influenced by non-visual factors, including those outside of the strict ownership of the copyright owner. For example, in *Anderson v Stallone*, Anderson was alleged to have infringed "the Rocky characters developed in *Rocky I, II* and *III*."[187] Later, the court referred to "the *visually depicted characters of the first three Rocky movies* for which the defendant seeks protection here."[188] The suggestion is that the relevant works are "the *visually depicted characters of the first three Rocky movies*," that the films generated these characters and that the characters are limited to their *visual depiction*. But is that an accurate assessment of how the characters are created? This focus on visual character depiction overlooks the influence on characterisation of the film's *screenplays*, which are literary works, and the depiction of the character in them. It is what the characters *say and do according to the script* that equally, even primarily, shapes the character. And yet the court did not appear to compare Anderson's *literary* treatment (the allegedly infringing work) with Stallone's literary treatment. The same point applies to comic book characters. These clearly graphically depict the character, including character traits such as costume and physical characteristics. But comic books also usually contain literary text, including dialogue, which would

[187] Anderson v. Stallone, 11 U.S.P.Q.2d 1161 (C.D. Cal. 1989), at *6.
[188] *Id.* at *7 (emphasis added).

also influence characterisation, even if that influence may be subordinate to the graphic impact.

There can also be a blurring of ownership of works and rights in this scenario, and it again raises the issue of whether the putative work is fixed by or under the authority of the author. When the owner of a movie is asserting rights in a character as a "copyrightable" component of the movie, in reality they may be claiming the benefits of character development undertaken by others, including literary authors. For example, not all James Bond films were made by a single franchise. And yet the court in *Metro-Goldwyn-Mayer Inc. v. American Honda Motor Co.*[189] was cognisant of the development over time of the James Bond character across all of those platforms, which would include the character development undertaken by the non-franchisee films. In *MetroGoldwyn Mayer Inc. v. American Honda Motor Co.*, the court found the Bond character to be protectable based on his unique traits,[190] "which have been *further delineated* over the course of the sixteen — now twenty-two, soon to be twenty-three — films in which Bond has appeared."[191]

This focus on visualisation also overlooks the authorial contributions made by the wide array of people who combine to create a movie and finesse its characters. As *audio*-visual creations, the influence of sound on characterisation is often disregarded. These include sounds both produced by the characters (including the spoken words from the screenplay) and the non-spoken sounds, including music, produced by the sound editor, which affect mood and our perception of the character. Other film workers who influence character development include the casting director, the costume designer, the hair and makeup artists, and the film editor.[192] But the character is fully fleshed out by the actor's performance, as controlled by the director, which may visually and aurally depict certain abstract character traits which percolate from the literary rendition of the character, such as resolve, bravery, or humility. Film characters are thus a cocktail of script, audio, and the visual imagery combined from the efforts of the casting director, the actor, the hair and make-up artist, the costume designer, the director, and the film and sound editors. This not only complicates discerning the source of expression that generates the character as a separate work, but allocating authorship and ownership of this hybrid

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189 Metro-Goldwyn-Mayer, Inc. v. Am. Honda Motor Co., Inc., 900 F. Supp. 1287 (C.D. Cal. 1995).

190 Described as "his coldbloodedness; his overt sexuality; his love of martinis 'shaken, not stirred'; his marksmanship; his 'license to kill' and use of guns; his physical strength; his sophistication." *Id.* at 1296.

191 *Id.*

192 On this subject, see F. Jay Dougherty, *Not a Spike Lee Joint: Issues in Authorship of Motion Pictures Under U.S. Copyright Law*, 49 UCLA L. Rev. 225 (2001).

work. Are they all joint authors of the character? The reality of joint authorship of characters is alluded to in *Gaiman v. McFarlane*.[193] In that case, Gaiman wrote a literary description of the disputed character, which was then developed into comic form by McFarlane. Gaiman claimed joint authorship of the copyright in the character. The court stated "Cogliostro's age, obviously phony title ("Count"), *what he knows and says*, his name, and his faintly Mosaic facial features *combine* to create a distinctive character. No more is required for a [*hybrid graphic-literary*] character copyright."[194] What a character "knows and says" is clearly a reference to the literary component of the characterisation supplied by Gaiman.[195]

We see a similar phenomenon with the blurring of the rights in the seagull photograph and the literary text in *Jonathan Livingston Seagull*. In *Bach v. Forever Living Products*, it is very unclear in the report whether the alleged infringement results from utilisation of the *photograph* of the seagull used in the plaintiff's book, or the literary text, or both. And in *Gaiman v McFarlane*, Judge Posner explains how Humphrey Bogart's portrayal of Sam Spade influences our perception of the character ("everyone knows what Humphrey Bogart looked like").[196] In *Burroughs*, the question was whether Tarzan had been sufficiently delineated in Burroughs' *literary* works. In the court's summation of Tarzan's character traits,[197] it is difficult to avoid the conclusion that the court was influenced by a distillation of a variety of representations of the character in popular culture, rather than the books. However, because the copyright rights being asserted emanated exclusively from *the literary work*, it is the characterisation of Tarzan in the literary work that was (or should have been) solely relevant.

XV. CONFUSION OF THE DERIVATIVE WORKS DOCTRINE

The character mosaicing described above also raises issues of originality and the quantum of character-works. The preceding discussion suggests that a *single* character emerges through a mosaic of multiple works. However, if the same character appears repeatedly in a series of films or

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193 Gaiman v. McFarlane, 360 F.3d 644 (7th Cir. 2004).

194 *Id.* at 660.

195 Similarly, in *Decarlo v. Archie Comic Publications, Inc.*, for instance, the court found that the "distinct 'pictorial *and literary* details'" delineating the Archie Comics character Josie meant she could be copyright protected. *See* 127 F. Supp. 2d 497, 505 n.49 (S.D.N.Y. 2001), (quoting Detective Comics, Inc. v. Bruns Publ'ns, Inc., 111 F.2d 432, 433-34 (2d Cir. 1940) (emphasis added).

196 *Gaiman*, 360 F.3d at 661.

197 "Tarzan is the ape-man. He is an individual closely in tune with his jungle environment, able to communicate with animals yet able to experience human emotions. He is athletic, innocent, youthful, gentle and strong. He is Tarzan." Burroughs v. Metro-Goldwyn-Mayer, Inc. 519 F. Supp. 388, 391 (S.D.N.Y. 1981).

novels, it is arguable that each subsequent version of the character is a new derivative work including original increments, particularly if the character changes over time. Take Walter White in *Breaking Bad*, who changes so fundamentally through the television series. Are there in fact separate versions of Walter White in the screenplays and television episodes spanning the series, and if so, when does each crystallise? The problem caused by aggregating character from multiple works intensifies when characters change over those works. The reader has the usual problems of assembling the scraps of characterisation, and choosing what works to assemble them from, but must now also *reconcile contesting versions* of the character and quantify the total number of versions across a potentially wide span of disparate derivative authors. This exercise has heightened significance when copyright in the original character has expired but remains extant in derivative versions of the character. For example, *Klinger v. Doyle*[198] concerned ten stories ('the Ten Stories") written by Arthur Conan Doyle which remained in copyright in the United States, all of Doyle's other works existing in the public domain. *Pannonia Farms, Inc. v. USA Cable*,[199] had earlier found that *only* the "increments of expression" added in the Ten Stories were protected by copyright.[200] In *Klinger*, both the district court and the seventh circuit made confusing pronouncements about the copyright status of the characters populating the Ten Stories. The district court stated that: "The subsequent works in the Canon, including *the Ten Stories*, . . . meet the definition of derivative works."[201] This properly categorises the Ten Stories themselves as derivative works.

However, the district court also stated that: "Storylines, dialogue, characters and character traits newly introduced by the [Ten Stories] are examples of added contributions *susceptible to copyright protection*,"[202] and indicated that new "increments of expression" contained in copyrighted works *warrant copyright protection*.[203] These statements suggest that the additional increments of expression, including "characters and character traits,"[204] are *separately* susceptible to copyright. The district court found that: "Dr. Watson's second wife and his athletic background, as well as Sherlock Holmes' retirement, are a character, character trait, and a storyline, respectively,[205] and that these new elements in the Ten

198 Klinger v. Conan Doyle Estate, Ltd., 761 F.3d 789 (7th Cir. 2014).
199 Pannonia Farms, Inc. v. USA Cable, No. 03 CIV.7841, 2004 WL 1276842 (S.D.N.Y. June 8, 2004),
200 *Id.* at *9.
201 Klinger v. Doyle, 988 F. Supp. 2d 879, 892 (N.D. Ill. 2013).
202 *Id.* at 889 (emphasis added).
203 *Id.* at 891 (emphasis added).
204 *Id.* at 889.
205 *Id.* at 892.

Stories are "*copyrightable increments of expression.*"[206] This suggests, somewhat alarmingly, that even a character *trait* in itself is a copyright work. The district court concluded that these new story elements "are protected under copyright, and as a result neither Klinger nor the public are entitled to use them."[207]

The statute itself mandates this split between pre-existing material and material contributed by the author of the derivative work.[208] The critical issue is determining the copyright status of these increments of expression. This is problematic. First, for all of the reasons outlined above, there is a problem in categorising characters as *identifiable expression* at all, thus there is already an inherently fragile and uncertain foundation for the derivative character (or character trait). Originality in derivative works requires enough "expressive variation from . . . existing works to enable the new work to be readily distinguished from its predecessors."[209] In order to assess the derivative work's distinctiveness relative to the source work, the source work must have some definition and boundaries which, as discussed above, literary characters lack. This therefore becomes an exercise in comparing material specks to fog. It can't be done, and (as argued above) the material specks certainly don't constitute a character.

In the *Klinger v. Doyle* appeal, the Seventh Circuit neither expressly disapproved nor referenced the district court's findings, and again, the judgement lacks clarity. Judge Posner said: "From the outset of the series . . . in 1887 Holmes and Watson were distinctive characters and therefore copyrightable,"[210] and that when Conan Doyle made alterations to the characters in the Ten Stories, "[t]he resulting somewhat altered characters were derivative works, the additional features of which that [sic] were added in the ten stories being protected by the copyrights on those stories."[211] There are some internal inconsistencies in this passage. The statement that "[t]he resulting somewhat altered characters were derivative *works*" suggests that the newly written characters themselves are, like their antecedents, discrete *works*. This is consistent with the flawed character-as-work doctrine, clarifying that even derivative characters are regarded as works, and as Betsy Rosenblatt has observed, they apparently

206 *Id.* at 893 (emphasis added).
207 *Id.*
208 *See* 17 U.S.C. § 103(b) (2012) ("The copyright in a . . . derivative work extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material.").
209 Schrock v. Learning Curve Int'l, Inc., 586 F.3d 513, 521 (7th Cir. 2009) (quoting Bucklew v. Hawkins, Ash, Baptie & Co., LLP, 329 F.3d 923, 929 (7th Cir. 2003) (internal alterations and quotation marks omitted)).
210 Klinger v. Doyle, 755 F.3d 496, 503 (7th Cir. 2014).
211 *Id.*

obtain this status without satisfying the *Nichols* delineation standard.[212] However, Judge Posner then goes on to clarify that the *additional features* of the altered characters are protected "by the copyrights on those *stories*."[213] This latter statement more correctly locates the source of copyright in the derivative *stories*, rather than the characters.[214]

One can only lament the confusion caused by these inconsistent statements, because the issue is significant. When these additional increments of expression are additional *character traits*, they may be seen to have the effect of character ever-greening — the generation of a discrete new (and copyrighted) version of the public domain character. Note the Seventh Circuit's pronouncement that "[t]he resulting somewhat altered *characters* were derivative *works*."[215] This seems to add a new Holmes for each new story — a Holmes who likes dogs, perhaps a Holmes who plays tennis. Betsy Rosenblatt has argued that:

> [E]ach new work featuring an old character had the potential to create a new version of the character with a different copyright expiration from the original — a Holmes 1.0, for whom copyright protection had expired, and a Holmes 2.0 who was still protected.[216]

Strictly speaking, the "Holmes 2.0" in its entirety does not receive protection, because it is only the additional original "increments" attaching to that version that may be protected. However, as evidenced by *Klinger v. Doyle*, these slivers of modifying expression can foster audacious — and effective — proprietary claims. Members of the public may not understand the subtleties of splitting a character between the public and private domain. It would take forensic examination and a heightened knowledge of U.S. copyright law to discern that Holmes may be utilised, but not the fact that he has come to like dogs. In short, as the character splinters, only the splinters are protected. The difficulty is separating out the additional increments from the prior public domain character. This may be a very complicated exercise, possibly compounded by the nature of the additional increments. They may not be as obvious as Holmes developing an expertise in chess, or learning to play the violin, or training to be a runner, or only playing golf on Wednesdays. They may be more elusive and abstract, such as Holmes developing subtle psychological changes like a particular irascibility or depression. The "freedom to make new works

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212 Elizabeth Rosenblatt, *The Adventure of the Shrinking Public Domain*, 86 U. Colo. L. Rev. 561, 583 (2015) (emphasis added).

213 *Klinger*, 755 F.3d at 503.

214 A similar statement is made by the court: "These additional features, being (we may assume) 'original' in the generous sense that the word bears in copyright law, are protected by the unexpired copyrights on the late *stories*." *Id.*, at 502.

215 *Id.* at 503 (emphasis added).

216 Rosenblatt, *supra* note 212, at 583.

based on public domain materials ends where the resulting derivative work comes into conflict with a valid copyright."[217] However, identifying that "valid copyright" and its boundary is particularly difficult, if not impossible, when it is appended to the nebulous miasma that is the literary character. Thus, the process of *identifying* the literary character in a derivative work is now even more difficult. The reader must still sift through the myriad words in potentially numerous derivative works to locate the character, but now must also siphon off the unoriginal character elements imported from the source work (or works).

The reality is that these new increments of expression can only be protected within the overarching structure of the new story. Additional character elements are not independently copyrightable *works*. They are simply elements in a new discrete work depicting certain events and characters, *from which we conceptualise characters and worlds.*

It is thus a dangerous overstatement to claim, as the district court does, that no one is "entitled to use" new increments, or that they "can't be included in any new story that draws on the public domain versions."[218] The proper question to ask is whether the second comer has infringed the source work, which in *Klinger* is one of the Ten Stories. This depends on whether the new increment of expression is a substantial part of one of the Ten Stories (which, contrary to the suggestion in *Klinger*, is always contestable) and whether it has been reproduced such that there is objective or substantial similarity between the defendant's work and the *new increments of expression.* The Holmes 2.0 is now split, with the vast majority of the expression comprising the character residing in the public domain. The question is whether the residual sliver of expression — the modifying increment in Holmes 2.0 — is a substantial part of one of the Ten Stories. Thus, the identification of the work is just as critical as ever, if not more so. If the increments of expression are regarded as a discrete work, and compared to very similar increments of expression appropriated by the second comer, then infringement is certain. However, if the increments of expression appropriated by the defendant are compared to *the novel* from which they come, there is a real question as to whether they comprise a substantial part of that novel. It is certainly erroneous to compare the *characters.* This clothes the Holmes 2.0 with character copyright status which he has lost.

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217 Warner Bros. Entm't, Inc. v. X One X Prods., 644 F.3d 584, 596 (8th Cir. 2011).
218 G.F., *Who Owns Sherlock Holmes?*, The Economist (Feb 20, 2013), http://www.economist.com/blogs/prospero/2013/02/public-domain.

CONCLUSION

This article has argued that while characters are an ineffable mystery, they are not a copyright work distinct from their literary home. The character-as-work doctrine emerged in an ill-considered and haphazard manner and is fundamentally misconceived. It offends the fixation doctrine because the nature of literary characters precludes them from being clearly and consistently identified and thus discretely perceptible in a copy. This is because characters are inherently abstract-material hybrids, leading to a clear conceptual definition in readers' minds, but no material definition. Thus, there is no copy that can correspond to the character. While the character may ultimately be compiled from the material words of the novel or play, it is not sufficient that the copy merely *contain* the work. Rather, the copy must *correspond to* the work. Further, extracting the character from the multitudinous words of a literary work depends on reader labour, meaning that the work is not defined by or under the authority of the author as required by the fixation doctrine. The problem is compounded because characters are frequently amalgamated from diverse media.

There are fundamental policy reasons for mandating that a work be identifiable. Clear identification of the work is essential for delineating the boundaries of the copyright monopoly and determining whether that monopoly exists at all. As Alexandra George explains:

> [I]ntellectual property law involves putting imaginary fences around imaginary territory—which then constitutes property. The fences are legal boundaries that demarcate the limits of material that exists in human imaginations. They are constructed by applying legal concepts to physical conditions. While the territory demarcated by this process is imaginary, its legal application and enforcement can have very real and significant social and economic consequences.[219]

The issue is important because copyright in characters artificially enlarges the rights of the copyright owner and extends beyond congressional intent, encouraging overreaching claims without legal foundation and chilling the ability to "remix" and adapt characters.

The boundaries of the work must also be clearly articulated in order to ascertain whether other copyright doctrine is satisfied. The originality of a putative work cannot be assessed without identifying the work itself.[220] Likewise, identifying the requisite act of authorship may be impossible without identifying the work allegedly authored. But most importantly, clear demarcation of the work, particularly by reference to

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219 Alexandra George, *The Metaphysics of Intellectual Property*, 7 WIPO J. 16, 20 (2015).

220 Laura Heymann, *How to Write a Life: Some Thoughts on Fixation and the Copyright/Privacy Divide*, 51 WM. & MARY L. REV. 825, 853 (2009).

the copy in which it is fixed, is critical in preventing the protection of ideas. If the boundaries of the work are vague, slipping past clear, contained expression, this effectively confers an ideational monopoly on the copyright owner of the literary work housing the character, which is anathema to copyright's idea-expression dichotomy.

The difficulty, indeed, impossibility, of extracting a literary character from the jumble of words in a novel has effectively been ignored by the courts, which have engaged in a pretence of delineation and demarcation which is illusory. This needs to be remedied by defendants and judges more rigorously challenging the assertions of ownership in the character itself and demanding proper identification of the work allegedly infringed. There has too often been an abdication of analysis where it has been warranted.

Authors of literary works may continue to argue that their literary works have been infringed, including by the appropriation of expression describing their character. A new approach may ultimately resolve down to a matter of nomenclature; we need to abandon the spurious phrase "copyrightable character" and limit the analysis to literary works, and whether any substantial part of that has been infringed.

However, the lessons are clear: copyright is a poor tool to catch a character.

THE BIG "BAN" THEORY AND PIRACY: WHICH WAY FORWARD FOR EFFECTIVE TRANSNATIONAL COPYRIGHT ENFORCEMENT IN CHINA?

by TIANXIANG HE*

I. INTRODUCTION

On March 20, 2017, the Republic of Korea (hereinafter Korea), a major exporter of popular culture products around the world, threatened to raise complaints to the World Trade Organization (WTO) about China, believing that it had been retaliating against Korean companies due to Korea's deployment of the Terminal High Altitude Area Defense ("THAAD") system.[1] The suspected punitive measures by the Chinese government were broad, ranging from closing nearly two-dozen retail stores of Korea's Lotte Group,[2] to a general ban on Korean cultural imports.[3] However, reports also showed that the Korean complaint "could not be categorized as a legal action but was rather a request for the WTO to look into whether China was upholding trade agreements fairly,"[4] because at that time, the Korean government had "no clear evidence that the Chinese government imposed such retaliatory measures."[5]

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[1] *See S Korea Complains to WTO About China over Thaad*, BBC NEWS (Mar. 20, 2017), http://www.bbc.com/news/business-39324536.

[2] Christine Kim & Jane Chung, *South Korea Complains to WTO over China Response to Missile System*, REUTERS (Mar. 20, 2017), http://www.reuters.com/article/us-southkorea-china-thaad-idUSKBN16R03D.

[3] Ji-eun Kim & Kye-wan Cho, *S. Korea Considering filing WTO Lawsuit with China over THAAD Retaliation*, HANKYOREH (Jan. 28, 2017), http://english.hani.co.kr/arti/english_edition/e_international/780488.html.

[4] Kim & Chung, *supra* note 2.

[5] *S. Korea Appeals China's Retaliatory Measures to WTO*, YONHAP NEWS (Mar. 20, 2017), http://english.yonhapnews.co.kr/business/2017/03/20/0501000000AEN20170320007200320.html.

The aforementioned case seems to be a typical international trade dispute, but it is unique in at least three aspects: first, it concerns an alleged "general" ban of connections of all levels with a particular country, rather than merely a "specific" ban aimed at certain products or services from that country; second, there is no clear evidence that the general ban order had ever existed, although it is clear that massive adverse changes to Korean businesses in China emerged during the tense period between the two countries;[6] third, specifically with regard to the cultural export ban, it was obvious that Korea was very concerned about its entertainment industry and related cultural exports to the Chinese market. Since a cultural ban is no stranger to Korea and other countries that have similar cultural export businesses in China, and that it is normally executed in a subtle and piecemeal manner,[7] Korea's response is seemingly abnormal.

In order to understand Korea's anger, this article aims to provide a reasonable explanation for Korea's uncanny response about China's temporary "big ban" order regarding Korean cultural exports, from the perspective of transnational copyright enforcement policy. For that purpose, the next section of this article first goes into details about the cultural ban orders that the Korean government is concerned about as well as their historical development, so that the operational mechanism of the "ban" system can be properly delineated. Section 3 then uses three subsections to explain why the Korean government is so concerned about its cultural exports to China: subsection one first introduces the legal response of the Korean government towards the ban; subsection two then examines the covert rise of the so-called "Korean Wave" and the corresponding copyright threats in China, explains that cultural exports have become a core business of Korea, and that the Chinese market is essential to its national interest; subsection three further discusses the temporary fall of the "Korean Wave" in China, by scrutinizing the conflicts between China's control

[6] For example, the Korean Agency for Technology and Standards ("KATS") has filed a complaint with the Technical Barriers to Trade ("TBT") committee of the WTO against China's policies restricting the sales of baby formula and medical equipment by foreign businesses. *See* Hyo-sik Lee, *Korea Brings China's THAAD Retaliation to WTO*, KOREA TIMES (Apr. 2, 2017), http://www.koreatimes.co.kr/www/biz/2017/04/367_226793.html. It is also noted that different levels of cultural exports are affected, such as the cancellation of a concert in China by Korean soprano Jo Sumi and pianist Paik Kun-woo. *See* Kim & Cho, *supra* note 3. In addition, Chinese-Korean co-production projects and talent were all frozen during this period. *See* Patrick Frater, *China Reportedly Bans Korean TV Content, Talent*, VARIETY (Aug. 4, 2016), http://variety.com/2016/biz/asia/china-confirms-ban-on-korean-content-talent-1201830391.

[7] *See generally* Tianxiang He, *Control or Promote? China's Cultural Censorship System and Its Influence on Copyright Protection*, 7 QUEEN MARY J. INTELL. PROP. 74 (2017).

measures over the market and the copyright strategy adopted by the entertainment industry of Korea. The article concludes by proposing a feasible and sustainable copyright enforcement strategy for foreign content industries in the Chinese market that can partially offset the adverse effect of ban orders from the Chinese government.

II. THE BIG "BAN" THEORY

China has a long tradition of boycotting foreign products and services for political reasons. The first examples in modern China date back to the beginning of the twentieth century. Countries that had trade relations with imperial China, such as the United States and Japan, were boycotted several times. For example, in 1905, because of discontent over the mistreatment of Chinese immigrants in the U.S., the Shanghai Chamber of Commerce board met and decided to call for a boycott of American goods.[8] In 1908 (during the Qing Dynasty), the famous "Tatsu Maru Incident," which involved arms smuggling activity conducted by a Japanese ship, the *Tatsu Maru*, occurred in Macau. Because of anger over the weak response of the Qing government, Chinese merchants took united action aimed at effectually boycotting all Japanese firms and their goods.[9] This was followed by the 1919 May Fourth Movement in which students and intellectuals called for a boycott of Japanese products as a protest against the government's weak response to the Treaty of Versailles.[10] There were also the 1925 anti-British boycotts of the May Thirtieth Movement.[11] These incidents along with other movements happened before the founding of the People's Republic of China ("PRC") in 1949, and were in general of non-governmental nature,[12] and concerned only merchandise other than cultural goods.[13]

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[8] *See* John W. Foster, *The Chinese Boycott*, 97 ATLANTIC MONTHLY 118 (1906).

[9] *Tatsu Maru Incident, Action by Sydney Chinese Boycott of Japanese Traders and Goods*, WEST AUSTRALIAN 7 (Mar. 26, 1908), http://trove.nla.gov.au/newspaper/article/25719035#; *see also The Tatsu Maru Incident, Chinese Boycott Japanese*, POVERTY BAY HERALD 5 (Mar. 28, 1908), https://paperspast.natlib.govt.nz/newspapers/PBH19080328.2.38.

[10] Tina H. Airaksinen, *Imperialism and Nationalism as May Fourth Movement Discourses*, 2 STUDIA ORIENTALIA ELECTRONICA 1 (2014); *see also* Beverley Hooper, *Globalisation And Resistance in Post-Mao China: The Case of Foreign Consumer Products*, 24 ASIAN STUDIES REV. 439 (2000).

[11] SHERMAN COCHRAN, BIG BUSINESS IN CHINA: SINO-FOREIGN RIVALRY IN THE CIGARETTE INDUSTRY, 1890–1930, at 177 (1980).

[12] *See, e.g.*, Foster, supra note 8, at 118.

[13] *See generally* Ming Zhang [张鸣], *The Rights and Wrongs of the Anti-Japanese Products Boycott of the May Fourth Movement* (五四抵制日貨運動的是是非非), 113 TWENTY-FIRST CENTURY [二十一世紀] 55 (2009).

During the Mao era, foreign trade in general was not halted, but foreign cultural products were nevertheless deemed heretical and thus were not welcomed as they tended to represent "feudalism, capitalism and revisionism" ideologies.[14] Accordingly, they enjoyed no copyright protection at all as China's first Copyright Law was not enacted until 1990.[15] For example, after 1949, in its early period of socialist development, the new Chinese government introduced an "Independence and Self-Reliance" policy. The government blocked most foreign audiovisual works during certain time periods, especially during the Great Proletarian Cultural Revolution.[16] In other words, China was intent on establishing its entertainment industry without help or interference from capitalist countries. Of course, there were various reasons for prohibitions at that time, such as concerns about the potential problem of what was considered by the Chinese government to be the "bourgeois ideology" in foreign movies and other audiovisual productions,[17] and political concerns about the influence of the Cold War. It was only after the Chinese Economic Reform, which started at the end of 1978 that a limited number of so-called "capitalist" audiovisual works were allowed to enter the Chinese market. However, these policies and movements of China did not concern Korea, as the two countries only established diplomatic relations on August 24, 1992.[18]

After 1992, which is also the year when Deng Xiaoping made his famous Southern Tour, China officially began an opening-up period, and several general and highly influential boycott incidents broke out. These included the 1999 anti-U.S. boycotts right after the U.S. bombed the Chi-

[14] *Foreign Trade Was Greatly Affected During the Cultural Revolution Period* (文革"期间外贸遭受严重干扰), Ministry of Commerce of the People's Republic of China, http://history.mofcom.gov.cn/?newchina=%E6%96%87%E9%9D%A9%E6%9C%9F%E9%97%B4%E5%A4%96%E8%B4%B8%E9%81%AD%E5%8F%97%E4%B8%A5%E9%87%8D%E5%B9%B2%E6%89%B0-2 (last visited Jan. 19, 2019).

[15] Zhonghua Renmin Gonghe Guo Zhuzuo Quan Fa (中华人民共和国著作权法) [Copyright Law of the People's Republic of China] (promulgated by the Nat'l People's Cong., Sept. 7, 1990 by President Order no. 31) (translated by Lawinfo China), http://www.lawinfochina.com/display.aspx?lib=law&id=1211&CGid= [hereinafter 2010 Copyright Law of China].

[16] Gary Xu, *Edification Through Affection: The Cultural Revolution Films, 1974–1976*, *in* The Oxford Handbook of Chinese Cinemas 271 (Carlos Rojas & Eileen Cheng-yin Chow eds., 2013) ("As soon as the Cultural Revolution began, all the . . . foreign imports were sealed off . . . .").

[17] It must be noted that, as a convenient term for propaganda slogans, the "bourgeois ideology" notion mentioned here was only used for a short period before the opening-up period.

[18] David Holley, *South Korea, China Forge Official Ties: Diplomacy: Action Increases Pressure on North Korea to Ease Hard-Line Policies. Roh Plans Visit to Beijing*, Los Angeles Times (Aug. 24, 1992), http://articles.latimes.com/1992-08-24/news/mn-5421_1_south-korea.

nese embassy in Belgrade, the 2005 anti-Japan boycott and demonstrations triggered by the approval of a Japanese history textbook and the proposal that Japan be granted a permanent seat on the United Nations Security Council,[19] the 2008 anti-French boycott for France's shabby reception of the Olympic torch,[20] the 2010 and 2012 anti-Japan boycotts as a result of the conflicts over the Diaoyu islands,[21] and most recently, boycotts against U.S. and Korean businesses and products because of American intervention in a World Court arbitration ruling against Beijing over the South China Sea, and for Korea's employment of the THAAD system.[22] Nevertheless, except the Korea "THAAD incident" with which this articles deals, none of the aforementioned boycott incidents concerned cultural goods, such as publications, or audiovisual products, as they are more indirectly compared with physical stores such as McDonald's, Starbucks, and Lotte.

It is hard to prove that China has issued a general ban on all Korea's cultural exports, as most Korean movies and dramas in major online streaming platforms were still available and accessible during the standoff period. Also, at the judicial level, there is no indication of bias. For example, in a 2016 case *Actoz Soft Co., Ltd. v. Wemade Entertainment Co., Ltd.* (the *Legend of Mir 2* case),[23] the Shanghai Intellectual Property Court issued a preliminary injunction against the respondent (a Chinese company), prohibiting it from operating a Korean online game called *Legend of Mir 2*, because the respondent failed to get permission from the applicant (a Korean company), the co-owner of the copyright of the game.[24]

However, some signs of suspension of co-operation do exist. It was noted that, during that period, concerts and events that involved Korean

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19 Suisheng Zhao, *China's Pragmatic Nationalism: Is It Manageable?*, 29 WASH. Q. 131, 131 (2005).

20 Andrew Jacobs, *Anti-French Boycott Falters in China*, NEW YORK TIMES (May 2, 2008), http://www.nytimes.com/2008/05/02/world/asia/02china.html.

21 Austin Ramzy, *Anti-Japan Sentiment Gains Strength in China*, TIME MAG. (Sept. 22, 2010), http://content.time.com/time/world/article/0,8599,2020721,00.html; *see also* Sui-Lee Wee, *China Clamps Down on Anti-Japan Protests*, REUTERS (Sept. 19, 2012), https://af.reuters.com/article/commoditiesNews/idAFL4E8KJ1UK20120919?sp=true.

22 Ralph Jennings, *These Are 4 Other Countries China Boycotted Before South Korea*, FORBES (Mar. 17, 2017), https://www.forbes.com/sites/ralphjennings/2017/03/17/these-are-4-other-countries-china-boycotted-before-south-korea/#40012c3462c2.

23 Actoz Soft Co., Ltd. v. Wemade Entm't Co., Ltd., H73XB No. 1 (Shanghai Intell. Prop. Ct. 2016).

24 *Id.*

artists were all cancelled;[25] joint Chinese-Korean television projects were put on hold,[26] which is believed to be the reason for the considerable amount of remakes or rip-offs of South Korean shows in TV format during the stalemate;[27] a Chinese TV show deleted scenes featuring the famous Korean singer Hwang Chi-yeul or blocked his image with pixelation, and his name was omitted from the credit list.[28] For example, TV shows along with their formats have attracted an enormous number of followers in China, which has spawned Sino-Korean co-productions making Chinese versions.[29] It was estimated that, since 2013, more than twenty Korean television formats have been sold and remade into Chinese versions, including the famous *Running Man* and *Non-Summit Meeting*.[30] However, the State Administration of Press, Publication, Radio, Film and Television ("SAPPRFT") (formerly known as SARFT) issued an official regulative document in 2016, which dramatically limited the import quota of the so-called "Star Channels," which were the major importers and licensees of Korean TV formats, to one set of foreign copyrighted TV formats per year.[31] For Sino-Korean co-productions, if the foreign party plays a significant role in the production process and if the Chinese side does not have "full" intellectual property rights over the production, then it will be treated as pure importation.[32] This regulative document along with the "Korea ban," are believed to be the leading causes of recent copyright disputes about TV format infringement between Chinese and Korean production companies.[33]

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25 Tamar Herman, *China Blocks Korean Entertainment on Streaming Platforms over THAAD Row*, BILLBOARD (Feb. 28, 2017), http://www.billboard.com/articles/news/politics/7708963/china-blocks-korean-streaming-platforms-thaad.

26 Amy Qin & Sanghun Choe, *South Korean Missile Defense Deal Appears to Sour China's Taste for K-Pop*, NEW YORK TIMES (Aug. 7, 2016), https://www.nytimes.com/2016/08/08/world/asia/china-korea-thaad.html.

27 Weida Li, *South Korea Passes Laws to Prevent China from Copying Entertainment Concepts*, GBTIMES (Feb. 1, 2018), https://gbtimes.com/south-korea-passes-laws-to-prevent-china-from-copying-entertainment-concepts.

28 Youngjune Yeh & Esther Chung, *China Cuts Korean Singer, or Blurs His Face, on TV Show*, KOREA JOONGANG DAILY (Aug. 9, 2016), http://mengnews.joins.com/view.aspx?aId=3022812.

29 Younghan Cho & Hongrui Zhu, *Interpreting the Television Format Phenomenon Between South Korea and China Through Inter-Asian Frameworks*, 11 INT'L J. COMM. 2332, 2333 (2017).

30 *Id.* at 2335.

31 SAPPRFT, Notice on Greatly Promoting Works of Independent Creation in Broadcasting and TV Programs, June 2016, http://www.sapprft.gov.cn/sapprft/contents/6588/299196.shtml.

32 *Id.*

33 Kaltrina Bylykbashi, *CJ E&M Claims Format Infringement by China's iQiyi*, TBIVISION (Apr. 10, 2018), https://tbivision.com/2018/04/09/cj-em-claims-format-infringement-by-chinas-iqiyi.

But according to spokesman Geng Shuang in the regular press conference of the Ministry of Foreign Affairs of China on November 21, 2016, there is no such thing as a "Korea ban." He nevertheless stated that the "cultural exchanges between two countries must be based on the will of the people."[34] In responding to questions concerning the cancellation of two Korean artists' concert in China at a regular press conference of the Ministry of Foreign Affairs of China on January 25, 2017, another spokeswoman, Hua Chunying, also indicated that "in the current situation, we hope the Korean government should value China's concern and create favorable conditions for normal cultural exchanges between the two countries."[35] From the above responses, we can see that the Chinese government attributed cancellations to voluntary actions conducted by non-governmental parties, and not the alleged "Korea ban." Although there is no direct evidence of the "Korea ban," it is evident that a mainstream news agency such as Xinhua.net did signal that it was a patriotic move to ban "Korean entertainers in Chinese TV programs," as "they reflect the Chinese placing love for their home country before the popularity of entertainment stars" before the appearance of those actual bans.[36]

Moreover, when China joined the WTO in the late 1990s along with the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPs")[37] and became more familiar with the rules of the WTO than before, the notification mechanism of the State Administration of Press, Publication, Radio, Films and Television of The People's Republic of China ("SAPPRFT") evolved over the decades into a more flexible and covert one. The main task of SAPPRFT is to supervise television, radio, and film industries and to censor works distributed by these channels, which are deemed inappropriate according to various regulations. Works that failed to pass the ex-ante and ex-post censorship do not get official licenses and thereby cannot be marketed in China. They also will be re-

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[34] *Foreign Ministry of China Spokesman Geng Shuang Hosted the Regular Press Conference of November 21st, 2016* (2016年11月21日外交部发言人耿爽主持例行记者会), MINISTRY OF FOREIGN AFFAIRS OF CHINA (Nov. 21, 2016), http://www.fmprc.gov.cn/web/fyrbt_673021/jzhsl_673025/t1417148.shtml.

[35] *Foreign Ministry of China Spokeswoman Hua Chunying Hosted the Regular Press Conference of January 25, 2017* (2017年1月25日外交部发言人华春莹主持例行记者会), MINISTRY OF FOREIGN AFFAIRS OF CHINA (Jan. 25, 2017), http://www.fmprc.gov.cn/web/fyrbt_673021/t1433835.shtml.

[36] *Entertainment Shares in S. Korea Fall on Worry About THAAD Deployment*, XINHUA.NET, (Aug. 4, 2016), http://news.xinhuanet.com/english/2016-08/04/c_135563560.htm.

[37] Agreement on Trade-Related Aspects of Intellectual Property Rights art. 9(1), Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299, 33 I.L.M. 1125, 1197 (1994) [hereinafter TRIPs Agreement].

moved from the market even after the licenses were granted.[38] As the criteria for censorship is general and vague, in some cases it was used as a tool to serve political purposes.[39] For the *ex-post* censorship mechanism, to avoid leakage and exposure of their orders in the digital age, SAPPRFT has turned to oral and phone call bans instead of relying only on the distribution of internal documents.[40] For example, because of their sympathetic views on Hong Kong's Occupy Central sit-ins and Taiwan's "Sunflower" student movement in late 2014, according to one source in a state-owned publisher a banning order was issued "orally," against the books of many famous authors, including the Tang Prize recipient and the Chinese American historian Yu Ying-shih.[41] In late September of that year, SAPPRFT issued an official notice that required local television stations to remove audiovisual productions featuring actors who had been arrested for the violation of drug or prostitution related regulations.[42] Several provincial satellite television stations also confirmed that they received phone orders from SAPPRFT regarding the removal of performers with scandals and even criminal records.[43] In July 2016, the official Weibo (the Chinese version of Twitter) account of the Communist Youth League accused the director of a film, Zhao Wei, of using a Taiwanese actor Leon Dai, believed to be a supporter of Taiwanese Independence. Zhao subsequently apologized and remade the film without Dai.[44]

The above discussions illustrate that, concerning Korea's cultural exports, there was a considerable degree of resistance in the Chinese market,

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38 *See generally* He, *supra* note 7.

39 *Id.*

40 SAPPRFT has an internal circulation system regarding notifications. The Supervision Center of SAPPRFT is responsible for the publication of the "Listen and Watch Daily" (收听收看日报), which is for internal circulation only. If the "Listen and Watch Daily" reported a certain case, it is deemed to be an official notification to the responsible organ to correct the mistake. However, cases showed that this type of formal document could be easily leaked and distributed online. *See, e.g.*, *Entertainers Were Criticized by SAPPRFT for the Color of Hair* (天天向上》因"头发染色"被批，最新一期已改黑色), CHINA.COM (May 27, 2017), http://wap.china.com/act/toutiao/13000656/20170527/30586583.html.

41 *Books by Writers Sympathetic to Hong Kong and Taiwan Student Movements Available 'While Stocks Last'*, SOUTH CHINA MORNING POST, Oct. 13, 2014, http://www.scmp.com/news/china/article/1615308/books-writers-sympathetic-hong-kong-and-taiwan-student-movements.

42 Clifford Coonan, *China Bars Stars with "Bad" Moral Records from TV*, THE HOLLYWOOD REPORTER (Sept. 17, 2014), http://www.hollywoodreporter.com/news/china-bars-stars-bad-moral-733690.

43 Yang Xu (徐扬), *SAPPRFT Bans Practitioners with Scandals and Criminal Records* (广电总局封杀"劣迹艺人"), HUASHANG NEWS (华商报), Sept. 18, 2014, at B9, http://ehsb.hsw.cn/shtml/hsb/20140918/116328.shtml.

44 Wei Shan, *Chinese Society in 2016: Stable but Under Tightened Control*, 9 EAST ASIAN POLICY 63, 75 (2017).

and the Chinese government has different tools to adjust the level of pressure. However, no direct evidence of a governmental "ban" order can be found, even though it is a matter of fact that the Chinese government is capable of doing so, and, in fact, has done this on various occasions. However, one thing is clear, that after almost a year-long diplomatic standoff over the THAAD installation incident, Korea and China both officially announced on October 31, 2017, that the two countries will resume normal relations.[45] A few days later, it was reported that the ban on *Hallyu* had been lifted, and Korean works, artists and performers can again present themselves in front of Chinese audiences.[46] Korean President Moon Jae-in paid a visit to Beijing to repair ties on December 14, 2017. After meeting with President Xi Jinping and Premier Li Keqiang, President Moon signed several memoranda of understanding with China.[47] After that visit, the invisible "Korea ban," at least partially for the cultural exchange sector, was gone.[48]

While Korean cultural products and staffs were boycotted in the Chinese market, it is worth noting that the demand for stronger copyright protection for Korean copyright owners was aiming at the same target: to remove Korean works from circulation, albeit from a different angle. The next section will now assess the impact of the joint force produced by these two initiatives on effective copyright protection and enforcement of copyright in Korean works.

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[45] Adam Taylor, *Korea and China Move to Normalize Relations After THAAD Dispute*, The Washington Post (Oct. 31, 2017), https://www.washingtonpost.com/world/south-korea-and-china-move-to-normalize-relations-after-thaad-conflict/2017/10/31/60f2bad8-bde0-11e7-af84-d3c2ee4b2af1_story.html?utm_term=.86e2bff1823b.

[46] *See, e.g.*, Hong Soon-do, *China Virtually Ends Hallyu Ban*, Asiatoday (Nov. 3, 2017), http://en.asiatoday.co.kr/view.php?key=20171102002148157; Ben Kwok, *China Lifts Ban on K-pop Ahead of Trump's Asia Tour*, Asia Times (Nov. 03, 2017), http://www.atimes.com/article/china-lifts-ban-k-pop-ahead-donald-trumps-asia-tour. Although the Foreign Ministry of China spokesman once again denied that such a "ban" on Korea existed. *See Foreign Ministry of China Spokesman Geng Shuang Hosted the Regular Press Conference of January 25, 2017* (2017年11月13日外交部发言人耿爽主持例行记者会), Ministry of Foreign Affairs of China (Jan. 25, 2017), http://www.fmprc.gov.cn/web/fyrbt_673021/jzhsl_673025/t1510045.shtml.

[47] Sui Noi Goh, *Korean President Moon Jae In Stresses Trade and Historical Ties with China During Visit to Chongqing*, The Straits Times (Dec. 16, 2017), http://www.straitstimes.com/asia/east-asia/south-korean-president-moon-jae-in-stresses-trade-and-historical-ties-with-china.

[48] Daniela Wei, *China Bans Korean Tour Groups, Say Travel Agencies*, Bloomberg (Dec. 22, 2017), https://www.bloomberg.com/news/articles/2017-12-22/china-tour-agencies-say-government-is-banning-south-korea-trips.

III. THE NEED FOR COPYRIGHT PROTECTION AND THE RISE AND FALL OF HALLYU *IN CHINA*

A. The Request for High-Level Copyright Protection

Defeating piracy seems to be the major goal of most audiovisual content providers today, and this is especially so regarding transnational piracy activities. With the help of various international treaties such as the Berne Convention and TRIPs, the level of copyright protection in China has undergone rapid development, but it seems that foreign copyright owners such as Korean entertainment conglomerates are still not well-protected in China, at least according to the Korean government.

With that concern in mind, the National Assembly of Korea passed two amendment bills: "the Content Industry Promotion Act" and the "Music Industry Promotion Act" on January 30, 2018.[49] These two amendment bills aim to facilitate and provide government support for overseas copyright enforcement.[50] Specifically, the official summary of the new amendment indicates that the new law is a response directly linked to the THAAD incident and "the Chinese sanctions on Korean culture," and that "some recent Korean television shows . . . are being unlawfully circulated on video-sharing websites. This failure of copyright protection is causing damage to related industries," so there is an urgent need to "efficiently deal with such damages."[51]

It is evident that the response from the Korean government is firmly linked to cracking down on piracy. In order to assess this response thoroughly, a historical look at the piracy issue as it relates to Korean cultural imports is indispensable.

B. The Rise of Hallyu *and the Corresponding Copyright Threats in China*

As the globalization of the economy continues, it is now possible for copyright holders in one country to wittingly or unwittingly export their cultural products to other countries. The story of the American folk musician Sixto Rodriguez in the Oscar-winning movie *Searching for Sugar Man* is an excellent example: Rodriguez's career as a singer in the U.S. initially proved unsuccessful, with him only publishing two albums that did not sell

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[49] *List of Bills Passed on January 30, 2018*, THE NATIONAL ASSEMBLY OF THE REPUBLIC OF KOREA, http://korea.assembly.go.kr/res/tra_list.jsp?boardid=1000000024.

[50] *[Summary] Amendment to the Content Industry Promotion Act*, THE NATIONAL ASSEMBLY OF THE REPUBLIC OF KOREA, http://korea.assembly.go.kr/res/tra_list.jsp?boardid=1000000024.

[51] *Id.*

well. However, possibly because of the introduction of pirate copies, his works are now extremely successful and influential in South Africa.[52]

In China, popular Korean audiovisual products are experiencing a similar journey. The *Hallyu* phenomenon started to influence China in 1996,[53] mainly in the form of K-pop music and TV dramas.[54] It is argued that initially, the Chinese government was very supportive towards *Hallyu*, as many titles were introduced to China and broadcast on state-owned TV channels, and the numbers grew more significant year after year.[55] However, in the early days, besides a limited number of official imports,[56] most of these audiovisual works were not officially introduced into the Chinese market due to China's strict control over cultural imports. As a result, the lack of adequate legislation and lax enforcement provided an opportunity for pirates to introduce them to China through illicit channels. Because the related Chinese market was still nascent, local production companies were less developed, and piracy provided an ample supply of foreign works due to ineffective copyright protection, the prevalence of foreign pop culture in China at that time was thus inevitable. As a result, we can find cases such as *Prison Break*,[57] which has done exceptionally well in the Chinese market.[58] It is also true that many Korean and Japanese productions were also able to enter and thrive in the Chinese market through illegal means.[59]

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[52] *See generally* SEARCHING FOR SUGAR MAN (Red Box Film Prods. 2012).

[53] Lu Chen, *The Emergence of the Anti-Hallyu Movement in China*, 39 MEDIA, CULTURE & SOC'Y 374, 377 (2017).

[54] *Id.* at 378.

[55] *Id.*

[56] According to the earliest officially published data by the then SARFT, in the fourth quarter of the year 2004, TV stations in China had only introduced two TV series (consisting of twenty-two episodes) from Korea. *See Notice of Nation-Wide Issuance of Import Permission of Foreign Dramas in the Fourth Quarter of the Year 2004*, SAPPRFT, http://www.sarft.gov.cn/art/2005/1/11/art_39_1233.html.

[57] *Prison Break* (Fox television broadcast Aug. 29, 2005).

[58] Evan Osnos, *"Prison Break" Catches on in China*, THE SEATTLE TIMES, Jan. 25, 2007, http://seattletimes.com/html/nationworld/2003540226_chinatv24.html.

[59] *See* Ingyu Oh, *Hallyu: The Rise of Transnational Cultural Consumers in China and Japan*, 40 KOREA OBSERVER 425, 440-444 (2009); for the Japanese part, *see* Joseph M. Chan, *Toward Television Regionalization in Greater China and Beyond*, *in* TV CHINA 33 (Ying Zhu & Chris Berry eds., 2009); for a greater China perspective, *see* Kelly Hu, *The Power of Circulation: Digital Technologies and the Online Chinese Fans of Japanese TV Drama*, 6 INTER-ASIA CULTURAL STUDIES 171, 171-173 (2005); Ming-tsung Lee, *Traveling with Japanese TV Dramas: Cross-Cultural Orientation and Flowing Identification of Contemporary Taiwanese Youth*, *in* FEELING ASIAN MODERNITIES: TRANSNATIONAL CONSUMPTION OF JAPANESE TV DRAMA 132-33 (Iwabuchi Koichi ed., 2004) ("Owing to . . . the easy acquisition of various pirated audiovisual products, the spread of Japanese TV dramas in Taiwan became increasingly quick, direct, and widespread.").

The resulting low-price or even free availability of these pirated works in China helped them maintain a high level of exposure,[60] which thereby garnered a considerable fan base for them. It has been argued that the success of the so-called "Korean Wave" in Asian countries was partly owed to pirate sales.[61] The phenomenon of *Hallyu* may demonstrate that piracy can also boost legitimate sales if viewed from a long-term perspective. For example, after decades of illicit *Hallyu* exposure, in 2014 two leading Chinese video platforms, Iqiyi and PPS, had acquired the network broadcasting rights for *My Love from The Star*, a Korean television series that has been voted as the number one TV series of that year among Koreans. On Iqiyi alone, it has been watched 14.5 billion times since its December debut.[62] As Otmazgin has argued, "[t]he informal circulation of pirated versions of Japanese popular culture has effectively popularized the products in the markets they were legally banned from."[63] Even though Otmazgin was then addressing Japanese cultural exports in different Asian countries, the argument can also apply to Korean cultural exports.

What is behind the success of these new Korean titles are their loyal followers. It is evident that good Korean audiovisual productions and pop culture, which were introduced to the Chinese market via both licit and illicit channels during the past decades, have influenced Chinese consumers and spawned many fan groups.[64] However, this cannot negate the fact that most of the unauthorized distribution and adaptation activities, either done by these fans or free riders, are potentially copyright infringements.

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60 *See, e.g.*, Osnos, *supra* note 58.

61 Woongjae Ryoo, *Globalization, or the Logic of Cultural Hybridization: The Case of the Korean Wave*, 19 ASIAN J. OF COMM. 137, 139 (2009).

62 *See* Lilian Lin, *Korean TV Show Sparks Chicken and Beer Craze in China*, THE WALL STREET JOURNAL (Feb. 26, 2014), http://blogs.wsj.com/chinarealtime/2014/02/26/korean-tv-show-sparks-chicken-and-beer-craze-in-china. Interestingly, research done by Seoul University in 2013 pointed out that people who watch Korean dramas are at the bottom end of the socio-economic and educational ladder. Jeyup S. Kwaak, *Korean Soap Operas: Just Lowbrow Fun?*, THE WALL STREET JOURNAL (July 23, 2013), http://blogs.wsj.com/korearealtime/2013/07/23/south-korean-soap-operas-just-lowbrow-fun-2. In 2014, fans of the Star drama spent more than _20,000, bought a full-page ad in a Korean newspaper, claiming the conclusion of that research is wrong and demanded that the author apologize, which he subsequently did. Alex Stevens, *The Chinese Are Pissed That Koreans Called Them Dumb for Watching Korean Dramas*, SHANGHAIIST (Mar. 22, 2014), http://shanghaiist.com/2014/03/22/chinese-say-we-are-not-stupid-for-watching-korean-dramas.

63 Nissim Kadosh Otmazgin, *Contesting Soft Power: Japanese Popular Culture in East and Southeast Asia*, 8 INT'L REL. OF THE ASIA-PACIFIC 73, 85 (2008).

64 Doobo Shim, *The Growth of Korean Cultural Industries and the Korean Wave, in* EAST ASIAN POP CULTURE: ANALYSING THE KOREAN WAVE 25 (Beng Huat Chua & Koichi Iwabuchi eds., 2008).

1. Unauthorized Distribution

Typical direct infringement cases include the making and selling of pirate copies and the unauthorized circulation of Korean TV productions on online streaming platforms and P2P sharing sites. These acts, when conducted on a commercial scale, will attract not only copyright infringement liability, but also criminal liability in China.[65] According to a survey conducted by the Korean Copyright Commission, until 2011 the rates of illegal distribution of Korean films and TV dramas in China were dropping, but figures were still rather high.[66] Nevertheless, according to the data from the Korean Ministry of Culture, Sports and Tourism ("MCST"), the number of countermeasures taken by domestic private and public companies against China's copyright infringements rapidly grew from 14,558 in 2015 to 64,355 in 2016.[67] These included all remedial measures, but most of them remained technical protections.[68]

2. Adaptations

Besides unauthorized distributions, unauthorized derivative works are also one of the most representative examples of how deeply entwined copyright issues and public participation are. They include different kinds of fan-generated derivative works, and the copyright issue of fan-generated content is complicated. Within their particular community, fans will

[65] Criminal Law of China art. 217:

> Whoever, for the purpose of reaping profits, has committed one of the following acts of copyright infringement and gains a fairly large amount of illicit income, or when there are other serious circumstances, is to be sentenced to not more than three years of fixed-term imprisonment, criminal detention, and may in addition or exclusively be sentenced to a fine; when the amount of the illicit income is huge or when there are other particularly serious circumstances, he is to be sentenced to not less than three years and not more than seven years of fixed-term imprisonment and a fine: (1) copy and distribute written, musical, movie, televised, and video works; computer software; and other works without the permission of their copyrighters; (2) publish books whose copyrights are exclusively owned by others; (3) duplicate and distribute audiovisual works without the permission of their producers; (4) produce and sell artistic works bearing fake signatures of others."

translated by World Intellectual Property Organization, WIPO Lex No. CN014, http://www.wipo.int/wipolex/en/text.jsp?file_id=181340.

[66] Korea Copyright Commission Team up to Protect <Late Autumn> in China, KOFIC (June 22, 2012), http://www.koreanfilm.or.kr/eng/news/kofic_news.jsp?bl bdComCd=601007&seq=1525&mode=VIEW.

[67] Mun-hee Cho, *China Circulates Pirated Version of Hallyu Contents While Retailing S. Korea*, BusinessKorea (Mar. 23, 2017), http://www.businesskorea.co.kr/news/articleView.html?idxno=17615.

[68] *Id.*

exchange information or ideas about works, spread comments, and even create derivative works based on the original. Typical fan-generated works include fansubs, fanvids, fanfics, scanlations, parodies (memes) and doujinshis.[69] The most relevant ones to Korean audiovisual products in the Chinese market are fansubs, fanvids (including video parodies), and memes.

a) Fansubs

Fansubs are the most prominent examples that are directly linked to *Hallyu* piracy. They are a form of portmanteau, short for fan subtitling or fan-subtitled works. They are used to describe certain activities in which groups of fans translate the subtitles of their favorite audiovisual works, such as Korean TV shows, into their native language. It is undeniable that, without the help of fansubbers, the online circulation of raw materials would not be such a big problem, as most of the visual productions are in Korean and without Chinese subtitles, and thus are difficult for the Chinese audiences to understand and appreciate. Fansubbing itself is prima facie copyright infringement, as the unauthorized translation of the subtitles and the online distribution of the copyrighted contents are no doubt directly infringing acts in China.[70] A fansub is the translation of an existing work — namely the subtitles of an audiovisual product. As an original and creative part of a copyrighted work, the dialogue translated into the subtitles is no doubt covered by copyright protection. Thus, their translation is undoubtedly subject to the rights of the original work. This judgment holds true in China: according to Article 9 of the 2010 Copyright Law of China, copyright includes: "[T]he right of translation, that is, the right to change the language in which the work is written into another language." The fan translation of the copyrighted subtitles will no doubt infringe the right of translation enjoyed by the copyright owner. However, the Law's Article 12 also provides that the copyright of a translated work, "shall be enjoyed by the . . . translator, provided that the exercise of such copyright does not prejudice the copyright in the preexisting work." It is clear from these terms that the translation of a work with human intellectual input is protected by copyright in China, but with the prerequisite that its copyright is not affected by the preexisting one. Put simply, fan translators can translate the copyrighted subtitles and enjoy the copyright of the translation if it is original enough. Still, as long as their fansubbing activity is not authorized or permitted by the copyright owner, they cannot exer-

69 Tianxiang He, Copyright and Fan Productivity in China 13 (2017).

70 Tianxiang He, *What Can We Learn from Industries? The Differences Between the Domestic and Overseas Copyright Protection Strategies Towards Fan Activities*, 62 Am. J. Comp. L. 1009, 1021 (2014).

cise their own copyright, unless their activity can be justified by the copyright exceptions.

b) Fanvids and video parodies

Fanvids and other audiovisual parodies are more complicated when examined under the microscope of copyright law. A fanvid "takes footage from a popular television show or film and reworks it into a music video that comments on or critiques the original source."[71] It is believed in general, unauthorized fanvids constitute copyright infringement if a fair use defense cannot be established or it cannot be covered by copyright exceptions.[72] Concerning the fair use defense, since most fanvids use complete rather than segments of music works as their audio track, the fact that the footages are from a television or film source, or even from TV shows of film will not make a difference. Thus, they are possibly copyright infringements in the United States as they will probably fall short of the four-factor fair-use test.[73] According to Articles 10(12) and (14) of the Copyright Law of China, if a fanvid work is based on pre-existing works and the fanvidder distributes it online and no copyright exceptions could be made, then it is possible that at least the copyright owner's "right of adaptation" and "the right of communication through information network" are infringed. Article 22 of the Law enumerates many copyright exceptions, but apparently, despite its possible critical nature, none of those exceptions could justify fanvids when a whole track of copyrighted musical work is utilized. Nevertheless, fanvid makers today are trying to avoid doing that through careful editing,[74] as this then makes it more ambiguous as to whether or not a fanvid constitutes copyright infringement in Mainland China.

Fanvids are also firmly connected to *Hallyu* because fans promoting their Korean idols will not only distribute copyrighted content directly, they will also make videos that consist of different audio and visual segments that they took from different sources. Some of these sources are copyright free (e.g., they took the star-struck videos themselves and used that footage), but some of these sources may be copyright-protected (e.g., the background music is a copyrighted song, or the segments are taken from copyrighted TV shows, movies, and dramas that concern the idol). Depending on the portions and the quality of the segments taken from the

[71] Sarah Trombley, *Visions and Revisions: Fanvids and Fair Use*, 25 CARDOZO ARTS & ENT. J. 647, 649 (2008).

[72] *Id.*; *see also* Aaron Schwabach, *The* Harry Potter *Lexicon and the World of Fandom: Fan Fiction, Outsider Works, and Copyright*, 70 U. PITT. L. REV. 387, 400-02 (2009).

[73] Trombley, *supra* note 71, at 649.

[74] *Id.*

latter, the Chinese courts may come to different conclusions about the copyright infringement claim.[75]

c) Memes

The copyright issue of memes making use of snapshots from copyrighted audiovisual works is even more complex. Chinese netizens nowadays are more inclined to use memes to express themselves when using social networking apps. However, when the memes they use are derived from a copyrighted work, a copyright issue will arise. For example, Choi Seong-guk, a famous Korean actor, is well-known among Chinese netizens due to the wide distribution of his meme taken from the movie *Master KIMs*. His laughter scene (either in the form of a single pic or the form of a two-second GIF file), which is taken from this movie, raises one critical question: is this a copyright infringement? According to a recent judgment from a district court of Hangzhou City of Zhejiang Province of China, using snapshots and still photos from a TV series for commercial purposes without permission constitutes copyright infringement.[76] But the court failed to differentiate still photos from screenshots in its judgment.

In a more recent case, *Dongyang Le Shi Hua Er Co., Ltd. v. Douban.com*,[77] the defendant was a famous social networking service website that allows its users to upload pictures related to certain audiovisual titles. It was sued by the plaintiff for copyright infringement for the screenshots, movie posters and still photos of their copyrighted TV series on the defendant's site, which had been uploaded by its registered users. The court ruled that users' upload action constituted fair use. In addition, the court differentiated posters and still photos from screenshots. In discussing the copyright issues of screenshots, the court indicated that since the number of the uploaded frames was limited and because they were taken from forty episodes, and that together they failed to reproduce the core of the original work, they cannot be considered as a substantial part of the series, and therefore will not substitute the original work.[78]

According to the landmark UK case, *Spelling Goldberg v. BPC Publishing, Ltd.*,[79] to copy even a single frame of a film is probably an infringement of copyright. Although the judgment in the *Spelling Goldberg* case was based on the UK laws, the theory is similar: it is not the quantity but the quality that matters. If a single frame of the copyrighted audiovisual work was taken and that can be considered a substantial part of the

75 He, *supra* note 70, at 1023.
76 Xin Li Television Inv. Co., Ltd. v. Zhejiang Tmall Network Co., Ltd., HYZCZ No. 611 (Hangzhou Yuhang Dist. Peoples' Ct. 2015).
77 J0105MC No. 10028 (Beijing Chaoyang Dist. Peoples' Ct. 2017).
78 *Id.*
79 Spelling Goldberg v. BPC Publ'g, Ltd., [1981] RPC 225.

work, then it is still copyright infringement. In the case of memes, one frame or a short clip was taken and because it is so unique and classic, this in itself can be solid evidence in favor of a finding of a substantial taking. The making and distribution of derivative works or adaptations of that frame or clip, as original as they can be, are still copyright infringement acts if permission from the original copyright owner was not secured.

C. *The Temporary Fall of* Hallyu *in China and Cultural Censorship*

It is obvious from the above discussions that in China there are some severe copyright threats against Korean audiovisual productions. With the report that piracy against Korean audiovisual productions went viral during the big "Korea ban,"[80] no wonder voices advocating stricter copyright enforcement in the Chinese market appeared in Korea.[81] A thorough analysis of the interplay of piracy and China's cultural censorship will give us a better assessment of that proposition.

China has a long history of blocking foreign cultural imports. Before the mid-1990s, "entering the market" at that time only meant television broadcasting: according to a 1995 study of the Chinese videotape market, some 20 million Chinese families then owned a videocassette recorder ("VCR") nationwide, and the number of videotape theaters and rental shops in China numbered only around 120,000.[82] A 2005 report conducted by the China Audio & Video Association found that the price of VCRs and videotapes were comparatively high for Chinese consumers at that time. Hence, the rate of ownership was relatively low.[83] Furthermore in 1997, the number of titles available was 5,137, with a circulation of 3.8 million copies countrywide. The report also revealed that there was no importation of licensed foreign audiovisual works in tape form in China that year.[84]

The fact is that without any official channel to obtain genuine tapes of foreign audiovisual works, the only possible way for Chinese citizens to access foreign audiovisual works was through pirated video cassette copies of officially licensed works from Taiwan and Hong Kong. Pirates could

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80 Cho, *supra* note 67.

81 *Id.*

82 *See* Jianshe Tang (唐建设), *Rang Gao Pinwei Di Jiawei De Luxiangdai Jinru Jiating* (让高品位低价位的录像带进入家庭) [*Let the Videotape with Higher Quality and Lower Price into Our Family*], Chuban Guangjiao (出版广角) [VIEW ON PUBLISHING], no. 2 (1995).

83 Ju Wang (王炬), Zhongguo Yinxiang Ye De Fazhan Xianzhuang (中国音像业的发展现状) [*Status Quo of the Chinese Audiovisual Industry Development*], *in* ZHONGGUO WENHUA CHANYE FAZHAN BAOGAO (中国文化产业发展报告) [REPORT ON DEVELOPMENT OF CHINA'S CULTURAL INDUSTRY] 151, 151-62 (Xiaoming Zhang (张晓明) et al. eds., 2005).

84 *Id.*

obtain authorized audiovisual products from Taiwan and Hong Kong because the markets were more open than in Mainland China for a long period of time. Because they faced fewer restrictions, many foreign audiovisual works had been introduced there. Another reason that made these products attractive to the pirates was that Mainland China, shares the same language background with Taiwan and Hong Kong, and those non-Chinese titles which had been officially introduced there had professionally-translated Chinese subtitles. Given the language barrier for Chinese audiences, it is therefore quite understandable that piracy dealers would prefer to sell copies of foreign audiovisual works with well-translated official subtitles.

For an extended period, officially-introduced titles could only be found on state-owned television networks in Mainland China. Since the late 1990s, official TV broadcasting has been the primary channel for Chinese citizens to access Korean television dramas.[85] And for a long period of time (2005–10), the importation of Korean dramas were at the top of the list of all imported foreign television dramas.[86] However, even though increasing numbers of foreign audiovisual works were subsequently introduced into government-controlled television stations, that amount remained somewhat limited, and without exception, they were all dubbed after going through severe censorship.

The "*Hallyu* Ban" is considered to be part of China's censorship system.[87] The Chinese government is famous for its strict censorship system and other implicit restrictions regarding audiovisual products, which have been frequently discussed elsewhere in the past decade.[88] For example, China's quota system has long restricted foreign movie imports. Between 1994 and 2001, the importation quota was ten for foreign revenue-sharing films; it was raised to twenty after 2001.[89] In 2012, in compliance with its international obligations, China increased that number again to thirty-

85 Chen, *supra* note 53, at 378.

86 *Id.*

87 He, *supra* note 7, at 87.

88 *See, e.g.*, Eric Priest, *The Future of Music and Film Piracy in China*, 21 BERKELEY TECH. L.J. 795 (2006); Eric Priest, *Copyright Extremophiles: Do Creative Industries Thrive or Just Survive in China's High Piracy Environment?*, 27 HARV. J.L. & TECH. 467 (2014); Eric Priest, *Copyright and Free Expression in China's Film Industry*, 26 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1 (2015). He, *supra* note 69; He, *supra* note 7.

89 Michael Berry, *Chinese Cinema with Hollywood Characteristics, or How the Karate Kid Became a Chinese Film*, *in* THE OXFORD HANDBOOK OF CHINESE CINEMAS 181 (Carlos Rojas ed. 2013).

four,[90] but compared to the number of films released in U.S. and Canadian theaters, estimated to be 718 in 2016,[91] the number permitted into China was negligible. In addition, with the import quota set at thirty-four, only six were non-Hollywood movies, meaning that Korean movies had to compete with the rest of the world for a place in the Chinese market.

Moreover, past and current legislation and regulations also indicate that topics such as sensitive political content, obscenity, and violent content were also included on the censorship lists.[92] In recent years, online streaming platforms appeared as a new force concerning cultural importation. Because the Chinese government had not been treating online streaming in the same way as traditional broadcasting channels, such as television stations and theaters, for a long period of time, online video platforms in China had been able to exploit policy loopholes to broadcast far more foreign works than would have been allowed on traditional broadcasting channels.[93] For example, despite the levels of bureaucracy, in practice, many foreign titles managed to enter the Chinese market without being censored by the government before 2014.[94] The 2014 drama series *My Love from the Star* was one such example. Iqiyi, which is one of the official online streaming platform partners in China, simulcasted it together with SBS, its Korean copyright holder.[95] It would be practically impossible for that kind of cooperation to happen were video streaming platforms to first submit the show to the government's lengthy approval process. It was reported that most foreign television shows were not censored and edited at all before being streamed online.[96] It is believed that the loophole existed because the Chinese government has tried to avoid

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[90] *Id*; Sabrina McCutchan, *Government Allocation of Import Quota Slots to US Films in China's Cinematic Movie Market*, 25 DUKE J. ECON., 12 (2013), https://sites.duke.edu/djepapers/files/2016/10/sabrina-mccutchan-dje.pdf.

[91] MOTION PICTURE ASS'N OF AM., THEATRICAL MARKET STATISTICS 2016, at 21, https://www.mpaa.org/wp-content/uploads/2017/03/MPAA-Theatrical-Market-Statistics-2016_Final.pdf.

[92] He, *supra* note 70, at 1026-27.

[93] Bree Feng & Shanshan Wang, *China Orders 4 U.S. Shows off Streaming Sites*, NEW YORK TIMES (Apr. 27, 2014), http://www.nytimes.com/2014/04/28/business/international/china-orders-4-us-shows-off-streaming-sites.html?_r=.

[94] Shanshan Wang (王珊珊), Zhongguo Shipin Wangzhan yu Guangdian Zongju de Maoshu Youxi (中国视频网站与广电总局的"猫鼠游戏") [*The "Cat and Mouse Game" Between the Chinese Online Streaming Service Providers and SAPPRFT*], Niuyue Shibao Guoji Shenghuo (纽约时报国际生活) [CN.TMAGAZINE.COM] (Apr. 30, 2014), http://cn.tmagazine.com/film-tv/20140430/tc30shows.

[95] *See* Jie Wang, *Looking to the Cosmos*, SHANGHAI DAILY, (Feb. 21, 2014), http://www.shanghaidaily.com/feature/Looking-to-the-cosmos/shdaily.shtml ("[M]illions of Chinese are tuning in for the new episodes live on Iqiyi.com every Wednesday and Thursday at 8:30 pm even though most don't speak Korean.").

[96] Feng & Wang, *supra* note 93.

stifling its promising high-tech industry.[97] In other words, it is more a result of lax enforcement and policy considerations.

However, according to the existing legislation, no foreign audiovisual works can be introduced without going through the formal censorship procedure and obtaining the corresponding licenses. Recently the Chinese government has noticed the loophole and tried to use policy instruments, instead of the law, to regulate the market. SAPPRFT issued a new notice in 2014 to restate the regulations relating to online foreign audiovisual program management. According to SAPPRFT's reiteration, no foreign audiovisual works can be streamed online without the broadcaster having obtained the License for Public Projection of Movies or Television Drama Distribution Permit.[98] It mentioned that only those audiovisual platforms that had acquired the license for publishing audiovisual programs through information networks were entitled to introduce foreign audiovisual programs for online-streaming. Also, only after having obtained a "Television Drama Distribution License" (Special Use for Online Broadcasting) through examination and verification by a provincial or higher administrative level were press, publications, radio, film and television department were audiovisual platforms allowed to broadcast foreign audiovisual titles on their sites. The notice also indicated that any such foreign audiovisual titles should be "healthy and positive" and have a proper license from the copyright holder. To obtain that license for a foreign audiovisual work requires the product to pass through the government censorship process. Moreover, unlike the common practice in countries such as the U.S.[99] and Korea,[100] China's requirement to submit the complete production for censorship before it can be broadcast means that, with respect to the original broadcasting date, Chinese audiences have to wait for at least several

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97 Louise Watt, *China Video Site: US TV Show Ban Not Policy Change,* THE WASHINGTON TIMES (Apr. 28, 2014), http://www.washingtontimes.com/news/2014/apr/28/china-video-site-us-tv-show-ban-not-policy-change.

98 Guojia Xinwen Chuban Guangdian Zong Ju Chongshen Wangshang Jingwai Yingshiju Guanli de Youguan guiding (国家新闻出版广电总局重申网上境外影视剧管理的有关规定) [*SAPPRFT Reiterates Provisions concerning the Management of Online Foreign Television Dramas*], SAPPRFT (Sept. 5, 2014), http://www.sarft.gov.cn/articles/2014/09/05/20140904102409770812.html, *translated in* CHINA COPYRIGHT AND MEDIA (Rogier Creemers trans., 2014), http://chinacopyrightandmedia.wordpress.com/2014/09/05/sapprft-reiterates-provisions-concerning-the-management-of-online-foreign-television-dramas.

99 Winifred Fordham Metz, *How TV Production Works,* HOWSTUFFWORKS.COM (Nov. 29, 2007), http://electronics.howstuffworks.com/tv-production.htm.

100 Dae-oh Kim, *The Making of Korean Dramas: Tantalizing Flexibility Comes at a Cost,* 25 KOREANA 78, 78-79 (2011), http://www.koreana.or.kr/months/news_view.asp?b_idx=1756&lang=en&page_type=list#k (describing the flexible production model of Korean drama which could respond to audience's feedback on the previous episode).

months to watch their favorite foreign audiovisual works. An industry insider raised his concern that SAPPRFT's decision may result in the return of commercial piracy and unauthorized online distribution, which had been restrained by online simultaneous broadcasting services.[101]

The abovementioned points demonstrate that the piracy of Korean audiovisual productions is partly caused by the national censorship system. Piracy of Korean productions in the early days spawned followers (or fans) and their interest. When the market fails to supply followers with the product they want, or the supplied product has been dubbed or sanitized by the state censorship system, fan activities, along with digital piracy, could serve as a solution to copyright owners searching for a way to influence, or looking for a way to provide the original or uncensored version to the Chinese market. More specifically, fan activities offer Korean copyright owners a way to bypass the harsh local censorship system and to make direct contact with potential customers in another market.[102] Cracking down hard on piracy will ostensibly serve the purpose of cutting losses, but in practice it serves the same purpose as state censorship, particularly the "*Hallyu* ban" policy: to block Korean products from circulation, both above ground and underground.

A question then arises: is it wise for Korea to enhance copyright enforcement in the "ban" period if the "fall" of *Hallyu* is only temporary and state censorship is probably permanent? If one thing is certain, it is that with regard to Korea's claim about TV format plagiarism in China,[103] it is well recognized that TV formats are not protected by the Copyright Law of China.[104] Even though the "big ban" may have hindered Chinese companies' will to seek licenses from Korean production companies and have

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[101] Keyu Chen (陈柯羽), Jingwaiju Xianshenhoubo Xinzheng Yizai Shipin Wangzhan Bufen Shixing (境外剧先审后播新政已在视频网站部分施行) [*The New "Censor First Broadcast After" Policy Is Now Implemented in Video Platforms*], Chongqing Wanbao (重庆晚报) [Chongqing Evening News] (Jan. 15, 2015), http://www.cqwb.com.cn/cqwb/html/2015-01/15/content_423043.htm.

[102] He, *supra* note 69, at 186; Otmazgin, *supra* note 63, at 83-84.

[103] Jiayun Feng, *South Korea Calls out Chinese TV Producers for Frequent Plagiarism*, SupChina (Oct. 11, 2018), https://supchina.com/2018/10/11/society-news-south-korea-chinese-tv-producers-plagiarism/.

[104] *See, e.g.*, Beijing Shi Xi Co., Ltd. v. Sohu Inc., HMCZ No. 15050 (Beijing Haidian Dist. People's Ct. 2005) (TV format designed by the plaintiff can only be considered as ideas, but not expressions.); *see also* Tang De Film Co. Ltd. v. Shanghai Canxing Culture & Broad. Co., J73MCZ No. 472 (Beijing Intell. Prop. Ct. 2016); Shanghai Canxing Culture & Broadcast Co. v. Tang De Film Co. Ltd., JMXZ No. 273 (Beijing Higher People's Ct. 2016) (although seemingly the copyright issue of the TV format of *The Voice* was crucial, here the plaintiff, which was the current exclusive licensee of *The Voice* in China, only claimed trademark infringement and unfair competition. That is to say, in *The Voice* case, the copyright issue of its TV format was intentionally foregone by the plaintiff).

courted Chinese copycats, the connection between the problem of TV formats and the "big ban" is still loose. Hence, Korea's response to TV format plagiarism in China will not work, as it is not a copyright issue per se in China, at least for the moment. But what about the copyright issues discussed above? Will Korea's move to enhance copyright enforcement in the "ban" period address its concerns?

IV. CONCLUSION, RECOMMENDATIONS AND LIMITATIONS

A. Conclusion

In order to answer the above question, one must understand that: "The predominant forces that have shaped the (copyright) law are economic."[105] In other words, it is the real-life economic activities behind the copyright law that are shaping copyright norms and challenging their validities. Recent studies reveal that, in a transnational scenario, copyright owners' issue of out-of-synch international marketing and the intervention of state censorship in China are affecting copyright owners' (especially foreign copyright owners') diversified copyright enforcement strategies in the Chinese market.[106] Given that China is such a huge market, many foreign copyright owners, including those from the U.S., are likely to tolerate most private piracy, including fan activities. The reason is quite straightforward: most foreign works cannot enter the traditional Chinese audiovisual market (TV broadcasting, theaters, etc.) so the copyright holders might as well follow the strategy adopted by Microsoft: market first, then the product. In other words, allow their products to flood the foreign market through unauthorized means first, and then determine the best way to collect the revenues later.[107]

Microsoft's case concerns only the issue of software marketing; hence it is not entirely related to the cultural censorship system as compared with the Korean audiovisual products case. However, they share a common theme of marketing strategy: customers must be "addicted" to the product. That is to say, for foreign copyright owners, their products must be exposed to Chinese customers continually in order to cultivate customer loyalty. However, we have recently witnessed a significant change: the at-

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105 PAUL GOLDSTEIN & P. BERNT HUGENHOLTZ, INTERNATIONAL COPYRIGHT: PRINCIPLES, LAW, AND PRACTICE 8 (3d ed. 2013).

106 *See generally* HE, *supra* note 69.

107 Charles Piller, *How Piracy Opens Doors for Windows*, LOS ANGELES TIMES (Apr. 9, 2006), http://articles.latimes.com/2006/apr/09/business/fi-micropiracy9 ("Although about 3 million computers are sold every year in China, people don't pay for the software. Someday they will, though," Gates told an audience at the University of Washington. "And as long as they're going to steal it, we want them to steal ours. They'll get sort of addicted, and then we'll somehow figure out how to collect sometime in the next decade.").

tention of consumers has shifted or been shunted in the information era by levels of information to which the human processing capacity fails to respond.[108] In the Sino-Korea case that this article is addressing, that change is exemplified by the conflicts between the excessive production of audiovisual works and the limited scope of human consumption. We as humans are limited by our attention capacity and the ability to handle information and time. In the case of TV channels, China has imported forty foreign TV series (for a total of 1,056 episodes) and fifty-eight foreign movies in the year 2016.[109] Together, it would take a person 47,520 hours to consume, and we generally only have 8,760 hours per year, not to mention the fact that imports still need to compete with local productions, and the number of the latter is generally much more significant (313 TV series produced in the year 2017[110] and 686 feature films produced in the year 2015).[111] In that regard, foreign imports will have to gain enough exposure in the Chinese market first, so as to spawn demand. And the fact that they are intruders in the Chinese market means that the foreign copyright owners may have to take unusual moves against various types of copyright infringements there.

Moreover, we should not forget that other entertainment formats, such as video games, music, and social networking apps are also competing for consumer attention. More importantly, a nationwide survey conducted by CCTV reveals that, in 2017, Chinese citizens enjoyed an average leisure time of 2.25 hours per day.[112] Even in the best-case scenario in which citizens in China will have a few hours more per day, it is not certain that people will spend their spare time on Korean products. Thus, if no Korean product (or related production patterns, idols, etc.) can be found on the Chinese market — either in legitimate or illegitimate ways — for a long period of time, it will be reasonable to suspect that products from other countries will soon fill the gap.

To conclude, this article does not argue that foreign copyright owners in the Chinese market should ignore piracy in general; it argues that, instead of taking actions obtrusively, foreign copyright owners in the Chi-

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[108] *See generally* DOMINIQUE WOLTON, INFORMER N'EST PAS COMMUNIQUER (2009).

[109] *Notice About Nation-Wide License Granted to Imported Foreign Audiovisual Works of Year 2016*, SAPPRFT (May 18, 2017), http://www.sarft.gov.cn/col/col39/index.html.

[110] Yang Liu, *Multiple Tablets, Still in Lack of Good Productions*, PEOPLE'S DAILY (Apr. 4, 2018), http://paper.people.com.cn/rmrb/html/2018-04/02/nw.D110000renmrb_20180402_2-12.htm

[111] *Cinema Data Release*, UNESCO (June 4, 2017), http://uis.unesco.org/en/news/cinema-data-release.

[112] *Investigation of China's Economic Life*, CCTV (Mar. 8, 2018), http://jingji.cctv.com/2018/03/08/ARTIXTdwIkvpbZ43zRF7Ac6E180308.shtml.

nese market, especially copyright conglomerates or a country that has a policy priority placed on cultural exportation, such as Korea, should develop or encourage its companies to develop a set of flexible copyright enforcement strategies to cope with different scenarios.

B. Recommendations: A Flexible Enforcement Regime

From the conclusion, we could see that, in order to remain competitive in the Chinese market, foreign copyright owners should take a more in-depth look at the different copyright problems concerned and identify the principal contradictions within that market. Eventually, it is a matter of business. In a "prosumers" age when people consume a product and produce something new simultaneously,[113] the role of the consumer is becoming more and more important to the content industry. How to accurately discern the proper relationship with consumers/fans then becomes crucial for a company's survival in the new era. That is even more important when a foreign market is concerned. One cannot emphasize enough the importance of the promotional effect of fans and followers for *Hallyu* products. Although the attitudes of foreign governments towards piracy and fan activities are relatively straightforward on the surface,[114] the copyright issue is rarely a high priority for their copyright owners when foreign markets are concerned. For instance, findings show that Japanese and Korean copyright owners are relatively passive in fighting digital piracy in Asia,[115] as they see it as a transnational marketing strategy, aka brand

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113 ALVIN TOFFLER, THE THIRD WAVE: THE CLASSIC STUDY OF TOMORROW 11 (1984) ("Third Wave civilization begins to heal the historic breach between producer and consumer, giving rise to the 'prosumer' economics of tomorrow.").

114 For the U.S.-China copyright debate, see generally Peter K. Yu, *From Pirates to Partners: Protecting Intellectual Property in China in the Twenty-First Century*, 50 AM. U. L. REV. 131, 133 (2000); for South Korea's attitude towards piracy in China, see, e.g., Roald Maliangkay, *Keep Your Enemies Closer: Protecting Korea's Pop Culture in China*, 2 KOREAN HISTORIES 34, 35 (2010); for Japan's actions against piracy in China, see, e.g., Kyodo, *Crackdown on Intellectual Property Piracy Pays off*, The Japan Times (Mar. 5, 2012), http://www.japantimes.co.jp/news/2012/03/05/national/crackdown-on-intellectual-property-piracy-pays-off/#.U7btIo2SzX0. For fan activities, see, e.g., *Tokyo Anime Center Posts "Stop! Fan-Subtitle" Notice*, ANIMENEWSNETWORK (Mar. 29, 2008), http://www.animenewsnetwork.com/news/2008-03-29/tokyo-anime-center-posts-stop-fan-subtitle-notice.

115 *See, e.g.*, Kelly Hu, *Chinese Re-making of Pirated VCDs of Japanese TV Dramas*, *in* FEELING ASIAN MODERNITIES: TRANSNATIONAL CONSUMPTION OF JAPANESE TV DRAMA 205-226 (Iwabuchi Koichi ed. 2004); *see also* Otmazgin, *supra* note 63, n.17; Beng Huat Chua, *Structure of Identification and Distancing in Watching East Asian Television Drama*, *in* EAST ASIAN POP CULTURE: ANALYSING THE KOREAN WAVE 86 (Beng Huat Chua & Koichi Iwabuchi eds., 2008); Maliangkay, *supra* note 114, at 35 ("[T]he Korean government had for long showed little concern over the loss of revenue incurred by foreign companies as a result of domestic piracy or the production of counterfeits . . . .").

building, to maintain long-term overseas exposure of their products.[116] From a strategic point of view, if strict copyright enforcement will not render a desirable outcome, then alternative approaches may strike a better balance.

This article suggests that in order to solve the "big ban" issue and be competitive in the Chinese market, foreign copyright owners should take initiatives to refine and further develop their enforcement strategies to accommodate changes and various situations, such as a temporary country ban order due to changes in international relations between China and their home country. Please note that the term "copyright enforcement" as used by this article includes broadly both public relief, such as judicial protection, and private enforcement such as take-down notices and flexible copyright policies. It is crucial to distinguish the impact of the potential "big ban" over the public relief and private enforcement measures that foreign copyright owners can utilize in China. The *Legend of Mir 2* case demonstrated that, the government behind the "big ban" tended not to tamper with decisions with clear rules (for example, court proceedings). It will more likely interfere by using administrative decisions with vaguer standards (for example, administrative examination and approval regarding permits and licenses) and public sentiment. Therefore, it is crucial for foreign copyright owners to focus more on the possible constraints at the administrative and popular level, and further develop their copyright enforcement strategies to cope with expected and unexpected situations such as those discussed below.

For that reason, the recommendations are thus split into two parts, depending on whether a ban policy is in place or not.

For example, contrary to initiatives such as the Korean government's recent legislative move to strengthen transnational copyright enforcement, it is suggested that under a "big ban" period, all levels of copyright enforcement from the target country should cease in the Chinese market to ensure a minimum degree of exposure to the ban. In other words, if the Chinese government's goal at that time is the elimination of certain product(s) from a particular country, copyright owners from the target country should refrain from adding fuel to the fire with rigid enforcement strategies, which are detrimental to their interests and goals and indirectly support censorship.

Another point is that a set of flexible copyright enforcement strategies should also be employed even in peacetime, that is when there is not a "big ban." From an industrial perspective, copyrighted works as cultural

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[116] *See, e.g.*, Shuling Huang, *Nation-Branding and Transnational Consumption: Japan-Mania and the Korean Wave in Taiwan*, 33 MEDIA, CULTURE & SOC'Y 3, 8-9 (2011).

products also follow the product life cycle — if they are poorly promoted, they will not get market acceptance. This means that it is necessary to view the transnational protection of copyrighted works in China as a developmental process. In a normal setting without the special "country ban," foreign copyright owners in China could subdivide the infringing activities according to the types of use and pair them with different enforcement strategies that fit different scenarios:

1. For blatant copyright infringements, such as unauthorized distributions, depending on the popularity of their works, foreign copyright owners in China could take different positions:

A. If the work is a major one and is already exported to China, the enforcement level shall be high, all means necessary should be applied when possible infringements are identified;

B. If the work is a major one and is to be exported to China soon, the enforcement level should be high, but the unauthorized distribution of promotional materials such as trailers and posters should be tolerated to a degree for marketing purposes;

C. If the work is never going to be exported to China in the future due to its sensitiveness,[117] then the unauthorized distribution should be tolerated;

D. If the work is not at all popular and there is no foreseeable plan of exportation, then the unauthorized distribution could be tolerated; if it becomes popular in China, strategies A and B then apply.

2. For unclear or borderline cases such as fan creations/UGC and memes, a tolerant attitude is recommended. Depending on whether the works concerned have been officially marketed in China or not, copyright owners can employ different means ranging from preventive measures, such as sending notice-and-takedown letters to Internet service providers, to cooperative measures, such as encouraging fan creations by building a community with norms/licenses.[118] Litigation against individuals is not recommended, as the costs of enforcement are far greater than the benefit from doing so.[119] And if the work in question is banned in China, or is never going to be exported to China in the future due to its sensitiveness or pure market considerations, then enforcement is neither recommended nor necessary, as the state censorship will do the job.

The recommendations listed above are not exclusive as undoubtedly there are more real-life cases and more creative ways to alleviate the tension between copyright owners and the public in accessing copyrighted

117 Typical examples are *Pokeurein*, *A Taxi Driver*, and *1987: When the Day Comes*. All of these Korean movies were blocked, and their pages in social networking websites such as *douban.com* were removed because both films concerned the famous Gwangju Uprising, which is deemed an allusion to the 1989 June Fourth incident in China.

118 Tianxiang He, *Fansubs and Market Access of Foreign Audiovisual Products in China: The Copyright Predicament and the Use of No Action Policy*, 16 OR. REV. INT'L L. 307, 338-39 (2014).

119 Tim Wu, *Tolerated Use*, 31 COLUM. J.L. & ARTS 617, 630 (2008).

goods and to minimize the impact of the "big ban" order on the sustainability of these goods in the Chinese market. In applying the two-level recommendations, it is crucial to distinguish between everyday censorship and the campaign style "ban" orders in China, as the former is more focused on the content and the latter is keener on origin, although they sometimes overlap. More specifically, the general "ban" order is esoteric, unconventional, and seldom used. Hence, it is more like a complement to the censorship system that could be employed by the government to address special needs. Under this setting, the optimal enforcement strategy for foreign copyright owners in the Chinese market would then be a set of flexible policies that could fit into different stages and accommodate various needs. Just as Palfrey noted, in order to be competitive in a global and fast-changing market, copyright owners should "favor strategies of relative openness where they can offer greater long-term benefits than strategies of exclusion."[120] It is counter-intuitive that sometimes copyright enforcement could lead to damage to the market value of the copyrighted work, but as a product in the market, cultural goods still abide by economic rules.

"[B]eing ignored is far worse than having one's property stolen."[121] Accordingly, in a "big ban" period, enforcement should give way to exposure; in peacetime, selective enforcement is recommended as it not only allows copyright owners to utilize licenses to declare some acts—such as fan creations/UGC and memes—not infringing, thereby lowering the caseloads of courts, but also helps in creating "a vibrant ecosystem in which consumers could also contribute to the innovation process of a company,"[122] which in return can enable copyright owners to build and maintain a long-term relationship with potential customers. By doing so, foreign copyright owners could retain more control over the market and customer relationship even in the "big ban" period, and in case some of their works are blocked by censorship,[123] they can still enjoy a degree of exposure via unofficial means.

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120 JOHN G. PALFREY, INTELLECTUAL PROPERTY STRATEGY 6-7 (2012).

121 Joseph E. Stiglitz, *Economic Foundations of Intellectual Property Rights*, 57 DUKE L.J. 1693, 1696 (2008).

122 Palfrey, *supra* note 120, at 9.

123 One can see this clearly in the case of Winnie the Pooh. *See* Tom Philips, *Chinese Censors Target Winnie the Pooh and Tigger*, THE TELEGRAPH (June 14, 2013), https://www.telegraph.co.uk/news/worldnews/asia/china/10120738/Chinese-censors-target-Winnie-the-Pooh-and-Tigger.html; *see also* Eli Meixler, *Is Winnie-the-Pooh Unwelcome in China? Christopher Robin Blocked from World's 2nd Biggest Film Market*, TIME (Aug. 6, 2018) http://time.com/5358437/christopher-robin-film-banned-china.

C. Limitations

The solution proposed above is only a framework, and it can be altered or developed further to accommodate future needs. In reality, copyright owners usually own far more than one title. In a normal setting without the special "country ban," in order to maximize their profits in a hyper-competitive market, a trade-off between the promotion of old works and new works is foreseeable. In order to avoid direct internal competition, copyright owners should strictly enforce their copyright against unauthorized distribution of works that are less popular and works that are not licensed in the Chinese market due to their sensitiveness or unpopularity if unauthorized distribution would be deemed a distraction that could hinder the promotion of new products. Of course, the level and duration of that strictness are up to the needs of the copyright owner. However, as we can see in the adaptations area, the proposed flexible approach has the potential to promote creativity and innovation by encouraging cooperation.

Another potential problem will be the implied license issue. In executing the proposed policies, it is very crucial for copyright owners to be cautious about their conduct, as "[a] non-exclusive license may therefore be granted orally, or may even be implied from conduct."[124] However, the employment of a community-based exemption powered by well-designed licenses or community rules such as a "covenant not to sue"[125] could help to avoid the abovementioned pitfalls and substantiate the proposed policies.[126] Based on different needs, copyright owners could develop different sets of licenses or norms to control the preparation of derivative works based on their copyright material.

In sum, it is common for the commercial world, especially the audiovisual content industry, to cultivate brand loyalty among customers and turn them into fans, since loyal consumers are deemed an integral part of a successful and enduring business.[127] The famous Korean pop song *Gangnam Style* will be an excellent example to demonstrate the power of flexible copyright enforcement: the copyright owner YG Entertainment and the songwriter PSY uploaded the full music video of the song to YouTube for free, and it became the first YouTube video to attract a billion

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124 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT, § 10.03[A][7], at 10–53 (2017).

125 PALFREY, *supra* note 120, at 46.

126 HE, *supra* note 69, at 207-17.

127 Matthew P. McAllister, *Consumer Culture and New Media: Commodity Fetishism in the Digital Era*, *in* MEDIA PERSPECTIVES FOR THE 21ST CENTURY: CONCEPTS, TOPICS AND ISSUES 161-62 (Stylianos Papathanassopoulos ed., 2010).

views.[128] The copyright protected video and the song were praised by many celebrities and utilized by numerous people to generate new content in the U.S.,[129] as well as make their way into the Chinese market.[130] Although many of these fan works would be deemed copyright infringements,[131] the Korean copyright owner chose to ignore this and took a relaxed attitude towards subsequent fan activities. It is believed that the copyright owner's laid-back approach is a key to its $8.1 million success.[132] It also shows that in a "prosumers" age, not only the companies could benefit from a wide latitude, the public as a whole could also benefit from new ideas, new works, even new ways to exploit the existing works developed by outsiders that generated from that latitude. Also, that is in accord with the goals of copyright law in most countries, whether it is to "promote the progress of science and useful arts"[133] or to encourage "the creation and dissemination of works conducive to the building of a socialist society that is advanced ethically and materially," and to promote "the progress and flourishing of socialist culture and sciences."[134] A nuanced copyright enforcement policy that this article has proposed will then provide foreign copyright owners in the Chinese market a set of flexible legal instruments, which is not only compatible with the digital age, but are also consistent

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128 William Gruger, *PSY's 'Gangnam Style' Video Hits 1 Billion Views, Unprecedented Milestone,* BILLBOARD (Dec 21, 2012), http://www.billboard.com/biz/articles/news/1483733/psys-gangnam-style-video-hits-1-billion-views-unprecedented-milestone.

129 Celebrities such as Britney Spears and Katy Perry had shown their appreciation to the song through tweets and blogs. *See* Bary Alyssa Johnson, *'Gangnam Style' Fans Include Britney Spears, Katy Perry, Vanessa Hudgens; What They Tweeted,* LATINOS POST (Aug 29, 2012), http://www.latinospost.com/articles/3457/20120829/celeb-tweets-show-gangnam-style-taking-over-hollywood.htm; for fan-made videos of the song; *see, e.g.*, Mischievious Studios, *Gotham Style*, YOUTUBE, https://www.youtube.com/watch?v=yssCU3FcOkw; *Baby Gangnam Style Parody, Baby Psy & LA Moms*, YOUTUBE, https://www.youtube.com/watch?v=7iheCrwQ-Qll; *popking161*, YOUTUBE, https://www.youtube.com/user/popking161; *I Love Beijing Style*, YOUTUBE, https://www.youtube.com/watch?v=z7xfAfa4W7E.

130 *Psy Gangnam Styles His Way to the Bank in China,* WANTCHINATIMES (Feb. 6, 2013), http://www.wantchinatimes.com/news-subclass-cnt.aspx?id=20130206000001&cid=1304.

131 Deborah L. Jacobs, *Parodies of Rap Artist Psy's Gangnam Style Are Fun. But Are They Legal?*, FORBES (Sept. 10, 2012), http://www.forbes.com/sites/deborahljacobs/2012/10/09/parodies-of-rap-artist-psys-gangnam-style-are-fun-but-are-they-legal-2/.

132 Glyn Moody, *Psy Makes $8.1 Million by Ignoring Copyright Infringements of Gangnam Style*, TECHDIRT (Dec. 10, 2012) https://www.techdirt.com/blog/casestudies/articles/20121209/07431921317/psy-makes-81-million-ignoring-copyright-infringements-gangnam-style.shtml.

133 U.S. CONST., amend. I.

134 2010 Copyright Law of China art. 1.

with their cultural and economic goals and can better serve their specific needs in different scenarios. In the case of Korea, the unitive but seemingly ineffective national copyright enforcement policy could instead be subdivided into several feasible copyright enforcement strategies that can accommodate different purposes.

As an ancient Chinese proverb goes, "[t]he water may support the boat, but the water may also overturn the boat."[135] In a transnational scenario, if consumers are the water, then it is obvious why the "boat," i.e., the copyright owners need to be flexible: the wave is always changing. However, when a quick rainstorm like a "Korea ban" comes, the top priority is not to fight with the currents, but to survive, and to revive after the flood recedes.

[135] XUNZI, XUNZI: THE COMPLETE TEXT 336 (Eric L Hutton trans., 2014).

PART II

ADMINISTRATIVE DEVELOPMENTS

ADMINISTRATIVE DEVELOPMENTS

LIBRARY OF CONGRESS

Copyright Office Institutes New Group Registration Procedure for Unpublished Works. On March 15, the Copyright Office instituted a new group registration procedure for unpublished works. The Group Registration for Unpublished Works (GRUW) will replace the Unpublished Collections registration procedure. Applicants now may no longer submit claims for unpublished collections on the Standard Application or a paper application. As of March 15, 2019, applicants had to use the new GRUW Online Application and must submit electronic deposits for each of the works included in the claim.

The new procedure will benefit authors of unpublished works by creating a detailed public record of their registration that will identify by title all the works covered by their claim. Additionally, every work included in a GRUW application will be separately examined by the Copyright Office's registration staff.

A GRUW application may include up to ten works. The works may be individual works, joint works, or derivative works. All the works in the application must have the same author or co-authors and be of the same type. Additionally, all authors must be named as copyright claimants.

Databases, collective works, compilations, and websites are not eligible for this type of registration. Regulations governing GRUW are found at § 32 of Title of the *Code of Federal Regulations*. Supplementary registrations will be available. An applicant will be asked to contact the Office of Registration Policy and Practice for instructions on filing a supplementary registration.

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U.S. Copyright Office Issues Final Rule Regarding Schedules of Pre-1972 Sound Recordings and Notices of Contact Information for Transmitting Entities. Pursuant to the Classics Protection and Access Act, title II of the Orrin G. Hatch–Bob Goodlatte Music Modernization Act ("MMA"), the Copyright Office has issued a final rule, effective April 22, 2019, regarding sound recordings fixed before February 15, 1972.

After soliciting public comments through an interim rule with request for comments, and as required by the MMA, the final rule provides a mechanism for rights owners to file schedules listing their pre-1972 sound record-

ings with the Office, for individuals to request timely notification of when such filings are indexed into the Office's public records, and for the submission of contact information by entities publicly performing pre-1972 sound recordings by means of digital audio transmission as of October 11, 2018.

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U.S. Copyright Office Issues Final Rule Updating Section 115 Compulsory License Regulations.

The U.S. Copyright Office is finalizing interim regulations pursuant to the Musical Works Modernization Act, title I of the Orrin G. Hatch–Bob Goodlatte Music Modernization Act. The interim rule amended the Office's prior regulations pertaining to the compulsory "mechanical" license for making and distributing phonorecords of nondramatic musical works available under 17 U.S.C. § 115 so as to conform the prior regulations to the new law, including with respect to the operation of notices of intention and statements of account, and made other minor technical updates.

This rule is generally directed at the present transition period before a blanket license is offered by a mechanical licensing collective and does not include regulatory updates that may be required in connection with the future offering of that blanket license; such updates will be the subject of future rulemakings.

In addition to adopting the interim rule as final, the rule makes further technical changes to the Office's statement of account regulations to update cross-references to other § 115-related regulations that were recently amended by the Copyright Royalty Judges.

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U.S. Copyright Office Issues Final Rule Regarding the Noncommercial Use Exception to Unauthorized Uses of Pre-1972 Sound Recordings. Pursuant to the Classics Protection and Access Act, title II of the Orrin G. Hatch–Bob Goodlatte Music Modernization Act ("MMA"), the Copyright Office has issued a final rule regarding the noncommercial use exception to unauthorized uses of sound recordings fixed before February 15, 1972 ("Pre-1972 Sound Recordings"), effective May 9, 2019.

In connection with the establishment of federal remedies for unauthorized uses of Pre-1972 Sound Recordings, Congress established an exception for certain noncommercial uses of Pre-1972 Sound Recordings that are not being commercially exploited. To qualify for this exemption, a user must

file a notice of noncommercial use after conducting a good faith, reasonable search, and the rights owner of the sound recording must not object to the use within ninety days of the notice being indexed in the Copyright Office's public record.

After soliciting public comments through a notice of inquiry and a notice of proposed rulemaking, the Office has issued a final rule identifying the specific steps that a user should take to demonstrate she has made a good faith, reasonable search. The proposed rule also details the filing requirements for the user to submit a notice of noncommercial use and for a rights owner to submit a notice objecting to such use.

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Copyright Office Releases Moral Rights Report. The U.S. Copyright Office today released its report, Authors, Attribution, and Integrity: Examining Moral Rights in the United States. The report details the findings of the Office's extensive review of the U.S. framework for moral rights. Moral rights refer to certain noneconomic rights that are considered personal to an author — chief among these being the right of an author to be credited as the author of his or her work (the right of attribution) and the right to prevent prejudicial distortions of the work (the right of integrity).

The Copyright Office concludes that the U.S. moral rights framework (which includes a variety of federal and state laws) continues to provide important protections, despite there being some room for improvement. The Office does suggest some areas where preferred interpretations of judicial decisions and even legislative considerations could improve the landscape of protection for authors. Possible legislative changes for consideration include amendments of the Visual Artists Rights Act (VARA), the Lanham Act, and a possible new provision in Title 17 expanding recourse for removal or alteration of copyright management information. In addition, the Office has identified issues for Congress to consider should it contemplate developing a federal right of publicity.

The full report, along with public comments and information on a symposium held on this subject, is available on the Copyright Office's website at https://www.copyright.gov/policy/moralrights

LIBRARY OF CONGRESS

Copyright Office Adopts Final Rule Regarding Registration of Architectural Works. The U.S. Copyright Office has issued a final rule regarding registration of architectural works, adopting in full a proposed rule following a period of public comment. This rule provides that, other than excep-

tional cases, applicants must submit their claims using the online Standard Application. The rule also encourages applicants to upload digital copies of their works through the electronic registration system, rather than submitting physical copies, and clarifies what aspects of the architectural plan must be visually perceptible from the deposit copies. Finally, the rule clarifies that applicants must provide a date of construction for a building only if the work was embodied in unpublished plans or drawings on or before December 1, 1990 and if the building was constructed before January 1, 2003.

LIBRARY OF CONGRESS

Copyright Office Institutes New Group Registration Procedure for Works on an Album

The U.S. Copyright Office is proposing to create a new group registration option for musical works, sound recordings, and certain other works contained on an album. The proposed rule will expand the registration options currently available to register multiple musical works or sound recordings under one application by adding an option to be known as "Group Registration for Works on an Album of Music" or "GRAM." In particular, this proposed group registration option will permit the registration of multiple musical works and/or sound recordings distributed together using a single electronic application, regardless whether such distribution occurs via physical or digital media. The Office proposes these changes to encourage broader participation in the registration system by reducing registration burdens on applicants, and seeks public comments on this proposed rulemaking. Written comments in response to the notice of proposed rulemaking published on May 20, 2019 must be received no later than 11:59 p.m. eastern time on July 19, 2019.

COPYRIGHT ROYALTY BOARD

Proceedings of the Copyright Royalty Board; Violation of Standards of Conduct. 37 CFR Part 350. 82 Fed. Reg. 18601. The Copyright Royalty Judges propose to adopt a new Copyright Royalty Board rule that would authorize the Judges to bar, either temporarily or permanently, certain individuals and entities from participating in proceedings before the Judges. Comments were due no later than May 22, 2017.

PART III

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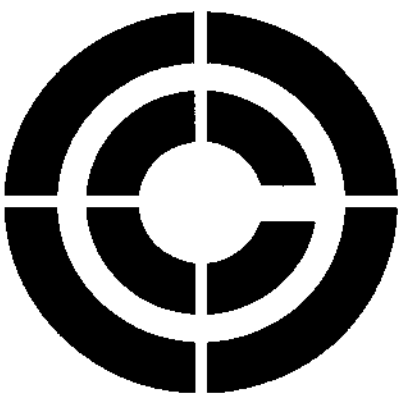

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FROM THE DESK OF THE EDITOR-IN-CHIEF

Part I of volume 66, number 2, begins with *Collective Management Organizations as Fiduciaries and Blockchain's Potential for Copyright Management* by George Bouchagiar, a researcher at Tilburg University in the Netherlands and a research fellow at Ionian University in Greece. In his article, the author describes the duties of CMOs, how they operate, and their roles as fiduciaries. His basic proposal is "the introduction of fiduciary laws to achieve higher levels of transparency through the duties of loyalty and care." He concludes that: "CMOs could . . . reform their strategies through blockchain that would guarantee some higher levels of transparency and trust."

The next article in Part I is *Naughty Bits: An Empirical Study of What Consumers Would Mute and Excise from Hollywood Fare if Only They Could* coauthored by Professor Doug Lichtman and Director of Empirical Research Benjamin Nyblade, both of UCLA Law School. The authors were able to obtain about a year of data from the controversial streaming company, VidAngel. In order to assess integrity arguments made by content owners and creators objecting to services that allow filtering out of a variety of material such as nudity or objectionable language, the authors looked at data concerning how much and what kind of material was filtered out by users of the service. Their article, which includes several charts and graphs, "report[s] on the decisions made by roughly 300,000 viewers as they filtered and then watched nearly 4 million movie streams during calendar year 2016." They argue that this data makes a "strong case in favor of a permissive copyright regime where viewers would have significant freedom to filter films according to their own religious, moral, and public policy convictions." They conclude that "copyright law should be interpreted so as to overrule Hollywood's high-class objections and open the market for filtered films." The authors state that the market should be opened because their data "show[s] that any potential harm to artistic integrity is actually quite small," and that viewers who filter content are "looking to trim on average less than 1% of the audio and less than 2% of the video from the average film."

Part I continues with an article on blockchain technology by Bill Rosenblatt, the President of Giant Steps Media Technology Services in New York. Entitled *The Future of Blockchain Technology in the Music Industry*, the article begins by noting that although many persons are "touting the promise of blockchain technology for music," there are skeptics who maintain that "blockchain cannot possibly live up to all the hype it's gener-

ating nowadays." The author begins by explaining blockchain technology and then evaluates its proposed applications by "addressing the question of whether it solves a known, current pain point or meets a current need." Mr. Rosenblatt concludes that "we will know when it has truly been incorporated into the music industry when the solutions are in widespread use, but no one uses the term 'blockchain' anymore."

The final article in Part I, *The New Legal Landscape for Text Mining and Machine Learning* by Professor Matthew Sag of Loyola University Chicago ScholIt of Law, "takes stock of the legal context for TDM research in the United States." It begins with an assessment of the effects of the Authors Guild cases on fair use as they relates to text mining followed by a discussion of the legal considerations for would-be text miners that go "beyond the core holding of the Authors Guild cases." The author then proposes a four-stage model that "identif[ies] and explain[s] the relevant legal issues beyond the core holdings of the Authors Guild cases in relation to TDM as a non-expressive use." The author concludes: "The essential question for copyright law in the digital age is whether, and to what extent, copyright law is in conflict with copy-reliant technologies such as TDM when they are used to generate new insights and understandings about copyright texts."

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

COLLECTIVE MANAGEMENT ORGANIZATIONS AS FIDUCIARIES AND BLOCKCHAIN'S POTENTIAL FOR COPYRIGHT MANAGEMENT

by GEORGE BOUCHAGIAR*

I. INTRODUCTION

In 1979 the musical band "The Undertones" published the song *Teenage Kicks*. The singer, Feargal Sharkey, later became the Chief Executive of "UK Music."[1]

As he stated in 2010, "[s]omewhere right now . . . a young person is scribbling on a scrap of paper . . . composing a song that will resonate far beyond the page . . . [t]his industry may change, but that simple act of creativity, remains and will always remain, immortal and timeless . . . ."[2] In UK Music's "Liberating Creativity,"[3] one may find the romantic statement, supporting the mysterious and magical process of creativity, but also a lobbyist-like-argument for government intervention and investment in the name of creativity.[4]

In another example that history provides, in 1847, Ernest Bourget, a French composer, visited the Paris café "Ambassadeurs," where his music was being played without his permission.[5] Bourget refused to pay for his

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1 Josh Halliday, *Feargal Sharkey Stands Down as Chief of UK Music*, THE GUARDIAN (Nov. 11, 2011), https://www.theguardian.com/music/2011/nov/11/feargal-sharkey-resigns-uk-music; *see also Feargal Sharkey – CEO, UK Music*, MUSIC TANK, http://www.musictank.co.uk/resources/speaker-biographies/feargal-sharkey-ceo-uk-music (last visited May 7, 2019).

2 UK MUSIC, LIBERATING CREATIVITY 5 (2010), https://www.mpaonline.org.uk/wp-content/uploads/2017/09/LC_BrochureDigital4.pdf.

3 *Id.*

4 *Id.* at 10 ("While Government has always had a profound impact on the music industry, public policy will matter even more in the future because more is at stake . . . [and] [t]he creative industries are the future . . . .").

5 Polk Wagner, *Information Wants to Be Free: Intellectual Property and the Mythologies of Control*, *in* INTELLECTUAL PROPERTY RIGHTS: CRITICAL CONCEPTS IN LAW 347 (David Vaver ed., 2006).

drink, arguing that "you consume my music, I consume your wares."[6] This argument was won before the Tribunal de Commerce de la Seine that upheld a law of 1793 recognizing a right to public performance for the first time.[7] He, then, co-founded an agency, which was the direct predecessor of SACEM.[8]

To many authors, Collective Management[9] Organizations[10] (CMOs) are important in the digital economy.[11] This is something the European Parliament and the Council of the European Union (EU) have also ac-

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[6] Dinusha Mendis, *Directive 2014/26/EU on Collective Management Of Copyright And Related Rights And Multi-Territorial Licensing of Rights in Musical Works for Online Use in the Internal Market, in* EU REGULATION OF E-COMMERCE: A COMMENTARY 307-08 (Arno R. Lodder & Andrew D. Murray eds., 2002); MIHÁLY FICSOR, COLLECTIVE MANAGEMENT OF COPYRIGHT AND RELATED RIGHTS 19, para. 28 (2002) ("They had to pay for their seats and meals . . . whereas nobody had the intension of paying for their works . . . .").

[7] Martin Kretschmer, Access and Reward in the Information Society: Regulating the Collective Management of Copyright 5-6 (Feb. 1, 2007) (CIPPM Working paper), https://ssrn.com/abstract=2739837 or http://dx.doi.org/10.2139/ssrn.2739837.

[8] *Id.* (mentioning that the origins of collective administration may appear as a straightforward response to a problem of transaction costs, like information, contract, and governance costs, e.g. identifying the owner, negotiating a price, or monitoring and enforcement costs.

[9] As Ficsor argues, the term "collective management" only refers to those forms of joint exercise of rights where there are truly "collectivized" aspects (such as tariffs, licensing conditions, and distribution rules); where there is an organized community behind it where the management is carried out on behalf of such a community and where the organization serves collective objectives beyond merely carrying out the tasks of rights management. FICSOR, *supra* note 6, at 12.

[10] For some historical information on collective management, see Daniel Gervais, *Collective Management of Copyright: Theory and Practice in the Digital Age, in* COLLECTIVE MANAGEMENT OF COPYRIGHT AND RELATED RIGHTS 5-7 (Daniel Gervais ed., 3d ed., 2015) (mentioning that the story of the rise of collective management begins in France in the 1700s); *see also* FICSOR, *supra* note 6, at 18, paras. 25-26 (mentioning that Beaumarchais's legal battles against theatres led to the foundation of the Bureau de législation dramatique in 1777). CMOs are also known as "collecting societies." *See* Confed'n of Soc'ys of Authors and Composers (CISAC) v. Eur. Comm'n, para. 2, Case T-442/08 (Ct. of First Instance 6th Chamber Apr. 12, 2013). As Gervais has aptly put it, the term "collecting societies" is used by one who "does not like" CMOs. Daniel Gervais, Collective Administration of Rights, Lecture (July 3, 2018) (International Copyright Law Summer Course, IViR, University of Amsterdam, July 2-6, 2018).

[11] Ruth Towse, *The Economic Effects of Digitization on the Administration of Musical Copyrights*, 10 REV. OF ECONOMIC RESEARCH ON COPYRIGHT ISSUES 56 (2013), https://ssrn.com/abstract=2381882 (arguing that the non-profit status of collecting societies is leading to new forms of cooperation to deal with the impact of online licensing); Christian Handke & Ruth Towse, *Economics of Copyright Collecting Societies*, 38 IIC: INT'L REV. OF INTELL. PROP. & COMPETITION L. 937, 937 (2007) (mentioning that, to economists, CMOs play a fundamental role in the copyright system).

cepted.[12] CMOs are the intermediaries that act on behalf of their members,[13] the rightsholders.[14] Their main duties include, not just the

12 *See* Directive 2014/26/EU of the European Parliament and of the Council of 26 February 2014 on collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online use in the internal market (hereinafter referred to as "Directive 2014/26/EU"). Some argue that this Directive, the longest of the EU directives dealing with copyright law, reveals that the topic is extremely complicated. *See* Sylvie Nérisson, *Has Collective Management of Copyright Run Its Course? Not so Fast*, IIC – Int'l Rev. Intell. Prop. & Competition L. 505, 506 (2015).

13 Laurence R. Helfer, *Collective Management of Copyrights and Human Rights: An Uneasy Alliance Revisited*, *in* Collective Management of Copyright and Related Rights, *supra* note 10, at 75.

14 As regards the relationship between these societies and their members, the Court of Justice of the European Union has ruled that a compulsory assignment of all copyrights, both present and future, with no distinction being drawn between the different generally accepted types of exploitation, may appear as an unfair condition, especially if such assignment is required for an extended period after the member's withdrawal. *See* Belgische Radio en Televisie and société belge des auteurs, compositeurs et éditeurs v. SV SABAM and NV Fonior, Case 127-23 (E.C.J. Mar. 27, 1974).

For a preliminary ruling, see Rechtbank van eerste aanleg te Brussel – Belgium, BRT-II, Case 127-73, para. 12 (E.C.J. Mar. 27, 1974). Besides, a collective management society must not discriminate among its members as regards distribution of income and it should not refuse to accept nationals of European Union member states as members. *See* Frank L. Fine, *The Impact of EEC Competition Law on the Music Industry*, 12 Nw. J. Int'l L. & Bus. 508, 521, 524 (1992). With regard to the relationship between a CMO and users, the former may only refuse to grant direct access to its own national repertoire to users established in other EU member states for efficiency reason. *See* Ministère public v. Jean-Louis Tournier, Case 395/87 (E.C.J. July 13, 1989) which originated in the Cour d'appel d'Aix-en-Provence). Competition law is of major significance, as a society imposes unfair trading conditions if the royalties charged are appreciably higher than those charged in other member states, unless the differences are justified by objective and relevant factors (Judgment of the Court of 13 July 1989, *Ministère public*, para. 34-36; François Lucazeau v. Société des Auteurs, Compositeurs et Editeurs de Musique (SACEM), paras. 21-33, Joined Cases 110/88, 241/88 and 242/88 (E.C.J. July 13, 1989) (the preliminary ruling was made by the Cour d'appel de Poitiers and Tribunal de grande instance de Poitiers). Regarding the relationship between these societies, there has been a call for efficient exchange of information and the discontinuation of B contracts, under which no money is transferred and each society collects and distributes royalties used in its territory only to its own rightsholders. See Authors' rights, related rights: Community framework for collecting societies, paras. 45, 56 (European Parliament 2002/2274 (INI); Communication from the Commission to the Council, the European Parliament and the European Economic and Social – Committee, The Management of Copyright and Related Rights in the Internal Market, COM/2004/0261, final).

collection/distribution of royalties[15] and the licensing of their members' works,[16] but also the promotion of creativity[17] and of social-cultural value[18] and the contribution to the quality of culture[19] and cultural diversity.[20] Namely, GESAC, the European Grouping of Societies of Authors and Composers, states that it aims not only to advocate for adequate remuneration for creators but also to ensure a sustainable creative and cultural ecosystem.[21] Besides, many CMOs mention that they aim to promote creative work, support live performances, or contribute to culture.[22] Hence, it seems that these cultural and solidarity aspects recognize the sociological function of CMOs; they represent creative people whose

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[15] Gervais, *supra* note 10, at 7 (mentioning that CMOs facilitate the establishment of unified methods for collecting and dispersing royalties and negotiate licensing arrangements for works).

[16] Simone Schroff & John Street, *The Politics of the Digital Single Market: Culture vs. Competition vs. Copyright*, 21 INFO. COMM. & SOC'Y 1305, 1307 (2018) (mentioning that a CMO's function is to provide users with licenses, collect royalties and distribute them to their members, as well as to monitor the use of works to ensure that those who owe royalties actually pay them); *see also id.* at 1315 (arguing that they also act as lobbying organizations that represent their members in public debate "pushing for effective protection").

[17] As creativity is the *raison d'être* of copyright, CMOs need to go beyond the operation of a mere technical machinery. FICSOR, *supra* note 6, at 21, paras. 33-34; *see also* RUTH TOWSE, CREATIVITY, INCENTIVE, AND REWARD: AN ECONOMIC ANALYSIS OF COPYRIGHT AND CULTURE IN THE INFORMATION AGE (2001); Directive 2014/26/EU, recital (1) (mentioning that previous Directives contribute to the development and maintenance of creativity).

[18] Gervais, *supra* note 10, at 7 ("[T]he role of CMOs has evolved to oversee copyright compliance, fight piracy and perform various social and cultural functions."); Helfer, *supra* note 13, at 98 ("[M]any CMOs engage in a broad range of social, educational, and cultural activities . . . . Commentators continue to debate the legality and wisdom of entrusting CMOs with the promotion of culture . . . .").

[19] Kretschmer, *supra* note 7, at 9 (mentioning that the features of the European CMOs include some characteristics under "*solidarity rationale*": publishers' control below market expectations; socio-cultural deductions for the benefit of domestic creators; cross-subsidy between big and small holders; and discrimination between genres).

[20] *See* Directive 2014/26/EU, recital (3) (mentioning that CMOs play and should continue to play an important role as promoters of the diversity of cultural expression by enabling the smallest and less popular repertoires to access the market and by providing social, cultural, and educational services for the benefit of their rightsholders and the public).

[21] *See About GESAC*, GESAC, http://authorsocieties.eu/about/about-gesac (last visited May 9, 2019) (mentioning that its mission is to promote collective management as "the best solution to respect and protect authors' rights").

[22] *See, e.g.*, PRS FOR MUSIC, https://www.prsformusic.com/what-we-do (last visited May 9, 2019); SACEM, https://societe.sacem.fr/en/presentation (last visited May 9, 2019); GEMA, https://www.gema.de (last visited May 9, 2019).

activity is directly linked to the cultural sphere. Thus, collective management is not just a technical problem.

These organizations mainly operate on the basis of (national) monopoly position,[23] and it is well known that such positions can be abused.[24] So, to better reach their goals, they should meet some standards of both governance[25] and transparency.[26] For instance, under Article 18(1)(f) of the Directive 2014/26/EU, a CMO should provide information concerning deductions made for any purpose other than in respect of management fees, including those that may be required for the provision of any social, cultural or educational services. The annual transparency report, provided

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[23] Towse, *supra* note 11, at 65; *see also id.* at 58 (mentioning that a CMO has a "front" and a "back" office; while the former deals with licensing, including negotiating of contracts, royalty rates, etc., the latter is related to procedures of collection and distribution of revenues or matching of usage reports to repertoire metadata); IAN HARGREAVES, DIGITAL OPPORTUNITY: A REVIEW OF INTELLECTUAL PROPERTY AND GROWTH 36, para. 4.44 (May 2011) (noting that CMOs fulfill a valuable role in markets, reducing transactions costs by enabling "many to many" licensing, but they can also harm competition as they are in effect natural monopolies); Kretschmer, *supra* note 7, at 7 (arguing that the monopolistic structure leaves CMOs in control of the terms of access and royalty distribution in their particular rights domain). For a definition of "natural monopolies", see Handke & Towse, *supra* note 11, at 3-4 (CMOs are ["N]atural monopolies' meaning that as monopoly suppliers they are more efficient in the sense of having lower costs than if there were competition . . . ."); Thomas Riis, *Collecting Societies, Competition, and the Services Directive*, 6 J. INTELL. PROP. L. & PRACT. 482, 483-84 (arguing that the *raison d'être* of CMOs is economies of scale and scope in negotiating, monitoring, and enforcing copyright, which implicitly presupposes that collective copyright management is a natural monopoly, and a natural monopoly should not be regulated in order to foster competition).

[24] Adolf Dietz, *Legal Regulation of Collective Management of Copyright (Collecting Societies Law) in Western and Eastern Europe*, 49 J. COPYRIGHT SOC'Y 897, 903 (2002) (mentioning that the antitrust approach against CMOs has been dominant for a long time); *see also id.* at 7 (where Dietz mentions CMOs' duty to contract with users on equitable terms, as a consequence of their predominant monopoly).

[25] *See* Directive 2014/26/EU, recital (9) ("The aim of this Directive is to lay down requirements applicable to collective management organisations, in order to ensure a high standard of governance, financial management, transparency and reporting . . . .").

[26] HARGREAVES, *supra* note 23, at 36, para. 4.45 (mentioning that members of collecting societies need to have confidence that their interests are managed effectively, responsibly, and transparently). As others have argued, collective management societies could compete on the grounds of efficiency, transparency, and accountability to benefit both users and authors. Lucie Guibault & Stef van Gompel, *Collective Management in the European Union*, *in* COLLECTIVE MANAGEMENT OF COPYRIGHT AND RELATED RIGHTS 135 (Daniel Gervais ed., 2d ed. 2010); *see also* Lucie Guibault & Stef van Gompel, *Collective Management in the European Union*, *in* COLLECTIVE MANAGEMENT OF COPYRIGHT AND RELATED RIGHTS, *supra* note 10, at 139 (later edition).

in Article 22 of the above Directive, is also a novelty to ensure some higher levels of transparency.

European national laws concerning collective management may vary.[27] Although collective management "*comes in many shapes and sizes*,"[28] it is generally acknowledged that CMOs should act in the best interests of their members and provide for systems that enable rightsholders to exercise their membership rights by participating in the organization's decision-making process.[29] After all, rightsholders should exercise control over the activities of the CMOs.[30]

In this context, these complex[31] and, to some, extremely problematic[32] societies could be regarded as trustees, i.e., fiduciaries in a relationship where the rightsholders would be the beneficiaries. This article

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[27] In general, European CMOs need special authorization from competent bodies, like Ministries. For instance, under Article L.321-3 of the French Intellectual Property Code, the statutes and general regulations of the royalty collection and distribution should be addressed to the Minister responsible for culture. In most jurisdictions, only certain legal types of organizations are allowed. Namely, under Article L.321-1 of the French Intellectual Property Code, the societies need to be established in the form of civil law companies. *See also* Gervais, *supra* note 10, at 8 (mentioning that most CMOs are private entities). Under some national laws, it is provided that only a single monopolistic CMO is allowed. *See* évi LXXVI. törvény a Szerzői Jogról Act [Law About Copyright] (1999) art. 86(2) (Hung.) ("*The register shall list the rights management activities a collecting society is entitled to exercise* . . . ."); Zakon o avtorski in sorodnih pravicah [Slovenian Copyright and Neighboring Rights Act] (Mar. 1995) art. 151(1) ("The Office grants permission to a collecting society that best meets the requirements of a public tender offer, which must be published in the Official Gazette of the Republic of Slovenia . . . ."). The provision for the competence of a single CMO used to be the case in Greece too. Under Article 49(6) of Law No. 2121/1993 the single CMO used to be the only competent and responsible for managing related rights. However, the above provision was repealed by Article 54(6)(c) of Law No. 4481/2017. This raised crucial questions with regard to the legitimacy and competence of other CMOs, which also collected royalties (and managed related rights) before Law No. 4481/2017 came into force.

[28] Daniel Gervais, *Keynote: The Landscape of Collective Management Schemes*, 34 COLUM. J.L. & THE ARTS 591, 591 (2011); *see also id.* at 595-96 (mentioning that some basic economic functions unite all CMOs: a CMO must acquire the ability to license from a plurality of rightsholders or some other authority to get paid, find a way to offer a license or other rights to users, and this includes negotiating or setting, and obtain usage data or other data from users for purposes of distribution. To Gervais, "rights management is what CMOs do").

[29] *See* Directive 2014/26/EU, recital (22).

[30] *See id.* recital (55).

[31] The complexity may be because CMOs operate as businesses, but they also have a cultural function. For an analysis as regards CMOs as cultural agents, see Gervais, *supra* note 10, at 17-20.

[32] Kretschmer, *supra* note 7, at 2-3 ("From the perspective of European competition law, collecting societies prima facie appear extremely problematic.").

proposes the introduction of fiduciary laws to achieve higher levels of transparency through the duties of loyalty and care. Such laws regulate relationships based on trust; and trust could be further promoted by the very promising blockchains. Thus, these technologies are examined to test their potential for copyright management. While blockchain is still immature and evolving, properties by construction need to be distinguished from its emergent features or desired goals. Experimenting is most probably needed to better understand possibilities and limitations. Some further discussion on blockchains' characteristics may allow to draw some safe conclusions as regards opportunities and challenges for copyright management.

II. CMOS AS FIDUCIARIES

Fiduciary laws reflect society's values and norms with great clarity.[33] Fiduciary duty is a legal term referring to the type of duty that a person or an organization, who/which manages someone else's power, wealth or property, has in certain circumstances in relation to the owner or the beneficiary of that power, wealth or property.[34]

These laws deal with relationships based on trust.[35] Trust enables an individual to be willing to make herself vulnerable to another party, despite potential risks that the latter will act in a way that can harm the former.[36] In the case of copyright management, trust could mean the willingness to become vulnerable to a CMO, which would manage its members' rights. An author would be the entrustor; the act of becoming a CMO's member would be the entrusting; and the CMO would be the entrustee, the fiduciary. And, perhaps, it would be fair to argue that all rightsholders are entrustors, entrusting CMOs when becoming their mem-

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[33] Tamar Frankel, *Fiduciary Law in the Twenty-First Century*, 91 B.U. L. Rev. 1289, 1292 (2011), https://www.bu.edu/law/journals-archive/bulr/documents/frankel.pdf.

[34] European Comm'n, Resource Efficiency and Fiduciary Duties of Investors: Final Report 22 (2014), http://ec.europa.eu/environment/enveco/resource_efficiency/pdf/FiduciaryDuties.pdf [hereinafter Resource Efficiency].

[35] *See generally* Tamar Frankel, *Fiduciary Law*, 71 Cal. L. Rev. 795 (1983), https://scholarship.law.berkeley.edu/californialawreview/vol71/iss3/1.

[36] Eli Bukspan, *Trust and the Triangle Expectation Model in Twenty-First Century Contract Law*, 11 DePaul Bus. & Com. L.J. 379, 382-83 (2013), http://via.library.depaul.edu/bclj/vol11/iss3/4; Irwin Altman, *Reciprocity of Interpersonal Exchange*, 3 J. Theory of Soc. Behavior 249 (Oct. 1973), https://onlinelibrary.wiley.com/doi/pdf/10.1111/j.1468-5914.1973.tb00325.x.

bers.[37] They become vulnerable when they face the risk of, e.g., lack of transparency[38] that might lead to mismanagement of their rights.

If the concept of trust were introduced in copyright law, it could guarantee higher levels of honesty and loyalty. In fact, one of the most important fiduciary duties is the duty of loyalty; fiduciaries should act in good faith in the interests of their beneficiaries and impartially balance the conflicting interests of different beneficiaries.[39] They should avoid conflicts of interest and should not act for the benefit of themselves or a third party.[40] Another important duty is the duty to act prudently, which means that fiduciaries should act with due care, skill, and diligence.[41] In either case, the objective is to encourage the fiduciary to take the beneficiary's interests properly into account in making decisions and to facilitate detection of her failure to do so.[42]

In general, fiduciaries provide services that are socially important and it is in the interest of society that people use them.[43] In the case of copyright, its management is said to be socially important as it aims at promoting culture; it is in the interest of an author that she receives fair remuneration; and it is in the interest of society that people use such "services" to, e.g., listen to music. If one accepts the importance, which the European legislature has attached to CMOs, it seems that rightsholders need[44] to rely on the CMOs; it would make no sense for each author to

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37 As regards authors' rights, a CMO has been viewed as an organization that aims at advancing the moral rights and/or that has at its disposal effective machinery for the collection and distribution of copyright royalties and assumes full responsibility for the operations attaching to the administration of the rights "*entrusted*" to it. FICSOR, *supra* note 6, at 20, para. 31.

38 As regards lack of transparency, see, e.g., U.S. COPYRIGHT OFFICE, COPYRIGHT AND THE MUSIC MARKETPLACE: A REPORT OF THE REGISTER OF COPYRIGHTS 77 (Feb. 2015), https://copyright.gov/docs/musiclicensingstudy/copyright-and-the-music-marketplace.pdf.

39 RESOURCE EFFICIENCY, *supra* note 34, at 7.

40 To some, the duty of loyalty is a response to the impossibility of writing contracts completely specifying the parties' obligations. Frank H. Easterbrook & Daniel R. Fischel, *Contract and Fiduciary Duty*, 35 J.L. & ECON. 425, 426 (1993).

41 RESOURCE EFFICIENCY, *supra* note 34, at 7.

42 Elizabeth S. Scott & Robert E. Scott, *Parents as Fiduciaries*, 81 VA. L. REV. 2401, 2420-21 (1995) (Symposium: New Directions in Family Law).

43 Jack M. Balkin, *Information Fiduciaries and the First Amendment*, 49 U.C. DAVIS L. REV. 1183 (2016), https://ssrn.com/abstract=2675270.

44 Handke & Towse, *supra* note 11, at 1 (arguing that rightsholders need the CMOs); *see also* Daniel Gervais, *Individual and Collective Management of Rights Online*, in Copyright, *in* BORDERLESS ONLINE ENVIRONMENT 89 (Johan Axhamn ed., 2012) (mentioning that there is a substantial middle ground, an area comprising compulsory licenses and collective management, in which rightsholders have, de jure or de facto, lost the ability to *say no* to the use of their works, but not the right to be paid).

become an expert and have to negotiate the level of royalties. Besides, fiduciaries cannot perform, unless they are entrusted with power; similarly, a physician must have full control over the patient's body to operate.

The single goal of this entrustment is to facilitate services to the entrustors.[45] The risk that fiduciaries may use the entrusted power for purposes other than in the service of the entrustors involves competition among fiduciaries; they have to convince beneficiaries that they use the relevant power for the entrustors' benefit.[46]

There are many topics to which the label "fiduciary" can be applied[47] and the duties may vary. The most important duty of loyalty, the duty to act for the exclusive benefit of the beneficiary,[48] could be introduced for copyright management. Indeed, rightsholders entrust CMOs with their rights over which these organizations have control. They are the experts, who are (capable of) providing socially useful services. It could also be argued that CMOs should have duties going beyond mere fairness and honesty; they could be obliged to act to further authors' best interests.[49] In fact, CMOs are required to do more than just serve the interests of their members.[50]

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[45] L. S. Sealy, *Fiduciary Relationships*, 20 CAMBRIDGE L.J. 69 (1962); Robert Cooter & Bradley J. Freedman, *The Fiduciary Relationship: Its Economic Character and Legal Consequences*, 66 N.Y.U. L. REV. 1045 (1991).

[46] Frankel, *supra* note 33, at 1294; Deborah A. DeMott, *Causation in the Fiduciary Realm*, 91 B.U. L. REV. 851, 871 (2011).

[47] Easterbrook & Fischel, *supra* note 40, at 432; Frankel, *supra* note 33, at 795; D. Gordon Smith, *The Critical Resource Theory of Fiduciary Duty*, 55 VAND. L. REV. 1399, 1412-13 (2002).

[48] Lynn Stout, On the Export of U.S.-Style Corporate Fiduciary Duties to Other Cultures: Can a Transplant Take? 14 (May 21, 2002) (UCLA School of Law, Working Paper No. 02-11), https://ssrn.com/abstract=313679, http://dx.doi.org/10.2139/ssrn.313679).

[49] Deborah A. DeMott, *Beyond Metaphor: An Analysis of Fiduciary Obligation*, 1988 DUKE L.J., 879, 882 (2008) ("The fiduciary's duties go beyond mere fairness and honesty; they oblige him to act to further the beneficiary's best interests . . . .").

[50] Schroff & Street, *supra* note 16, at 1308 (mentioning, amongst others, that CMOs are expected to provide social benefits in the form of trade union style collective bargaining with users or to contribute to state cultural policy by cross-subsidizing less popular music genres); CMOs have also a "solidarity function", as they provide for social insurance. In addition, caselaw has imposed further duties on CMOs. *See generally* Martin Kretschmer, The Aims of European Competition Policy towards Copyright Collecting Societies 7-8 (2005) (Paper for Society for Economic Research on Copyright Issues SERCIAC 2005, Montreal) 14-15, http://serci.org/wp-content/uploads/2017/07/kretchmer.pdf. As some argue, an exclusive right may be enjoyed to the fullest possible extent. *See* FICSOR, *supra* note 6, at 16, para. 16.

The potential introduction of flexible[51] fiduciary laws in copyright management might guarantee multiple advantages. Authors would, perhaps, choose among alternative fiduciaries[52] and negotiate the terms of the relationship. A main pillar of the EU's policy is the freedom for copyright owners to choose the CMOs they prefer; to "vote with their feet."[53] Perhaps, the CMOs would rarely have monopoly over the rightsholders' needs and, unless the author agreed, the fiduciaries would not manipulate the terms of their performances.[54] It seems that CMOs could be obliged to consult[55] with authors and give them the opportunity to express their best interests and opinions, in accordance with which rights would be managed. Maybe, CMOs would even implement internal policies and other safeguards to enhance transparency and avoid mismanagement. This would be needed, since current transparency policies do not always meet high standards. Namely, while Article 18 of the Directive 2014/26/EU provides that a CMO should make available to each member information on royalty distributions, it allows making available this information in national languages that not all members may understand.[56]

In addition to the above, in contrast to contract relations, where both parties seek to satisfy their needs, fiduciary relations are designed to satisfy only the needs of the entrustor,[57] who may also monitor fiduciaries. As some have aptly put it, these laws are in place to avoid having the beneficiary "looking over the fiduciary's shoulder."[58] Affirmative duties to disclose[59] or "volunteer"[60] information could also be introduced to en-

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51 Ethan J. Leib, *Friends as Fiduciaries*, 86 WASH. U. L. REV. 665, 707, 732 (2009) (arguing for flexibility of fiduciary laws).

52 FLOYD MECHEM, ELEMENTS OF THE LAW OF PARTNERSHIP 7, para. 5 (2d ed. 1920) (mentioning that the law does not choose partners for people). Fiduciary relations are not mandated by law. However, when fiduciary relations are established, their legal consequences are determined by the law; the parties cannot waive the courts' supervision over the fiduciary. Alison Grey Anderson, *Conflicts of Interest: Efficiency, Fairness and Corporate Structure*, 25 UCLA L. REV. 738, 756 (2009).

53 Schroff & Street, *supra* note 16, 1312.

54 Frankel, *Fiduciary Law*, *supra* note 33, at 801.

55 Joakim Sandberg, *Socially Responsible Investment and Fiduciary Duty: Putting the Freshfields Report into Perspective*, 101 J. BUS. ETHICS 143, 145 (2010), https://link.springer.com/content/pdf/10.1007%2Fs10551-010-0714-8.pdf.

56 Take, for instance, the Spanish CMO, SGAE, whose website provides some information only in Spanish. *See* SGAE, www.sgae.es (last visited May 10, 2019).

57 Frankel, *supra* note 33, at 801, 818, 819.

58 Kenneth B. Davis, Jr., *Judicial Review of Fiduciary Decisionmaking – Some Theoretical Perspectives*, 80 NW. U. L. REV. 1, 6 (1985).

59 Robert C. Clark, *Agency Costs Versus Fiduciary Duties*, *in* PRINCIPALS AND AGENTS: THE STRUCTURE OF BUSINESS 71-76 (John W. Pratt & Richard J. Zeckhauser eds., 1985); Easterbrook & Fischel, *supra* note 40, at 445.

sure that CMOs, as decision-makers,[61] would become accountable. This would very likely strengthen the member's right to participate in decision making, a right that has already been established by Article 6(3) of the Directive 2014/26/EU. Rightsholders would be able to better monitor and exercise more scrutiny over CMOs' activities.

A trust approach would also have a symbolic value; it would be a statement of societal expectations.[62] It would also be fair to argue that what we need today is the emergence of societies based on fiduciary relations,[63] whose moral[64] theme[65] includes loyalty, fidelity, faith, and honor. So, maybe, the law could provide incentives to encourage potential fiduciaries and entrustors to enter into such relations, which by law demand fairness.

To sum up, CMOs do have special powers over and relationships to and with others. What if the royalties collected were offered as "salaries" to the executives of a CMO,[66] instead of being distributed among members? The duty of loyalty and trustworthiness would probably ensure that the fiduciary would act in the interest of the beneficiary; the entrusted fiduciary would not betray the trust. Since, in almost every case, these potential fiduciaries manage important rights, it seems that they could have a duty of care, a duty to act competently and diligently. Besides, CMOs, as professionals having skills and knowledge, and rightsholders,

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[60] Scott FitzGibbon, *Fiduciary Relationships Are Not Contracts*, 82 MARQ. L. REV. 303, 308 (1999).

[61] Fiduciaries are typically decisionmakers, whose specialized function is that of recommending or making decisions of a discretionary nature about the management or investment of the (property or) power of others. Anderson, *supra* note 52, at 757.

[62] ANNETTE C. BAIER, TRUST AND ANTITRUST, MORAL PREJUDICES: ESSAYS ON ETHICS 130 (1994).

[63] RESOURCE EFFICIENCY, *supra* note 34, at 22; Kenneth M. Rosen, *Meador Lecture Series: Fiduciaries 2005-2006*, 58 ALA. L. REV. 1041, 1042 (2006).

[64] Courts often "write" as if they are importing moral requirements into the law through their policing of fiduciary relationships; this way courts draw from the moral sphere, use informal social norms to influence fiduciary behavior, and create extra-legal norms. Scott & Scott, *supra* note 42, 2422, 2425; Larry E. Ribstein, *Are Partners Fiduciaries?*, 2005 U. ILL. L. REV. 209 (2005) (symposium issue); Cooter & Freedman, *supra* note 45, at 1073-74.

[65] Frankel, *supra* note 33, at 829-32 (discussing the moral theme in fiduciary regulation).

[66] In fact, this has recently been the case in Greece. *See, e.g.*, *Greece's Intellectual Property Agency Scandal Brings Corruption Charges*, THE NATIONAL HERALD (July 2, 2018), https://www.thenationalherald.com/206338/greeces-intellectual-property-agency-scandal-brings-corruption-charges.

being ill-prepared[67] to monitor CMOs' behavior, are not equal. This leads to asymmetry or superiority, a prerequisite for fiduciary laws to apply. In the relationship between members and CMOs, there is vulnerability, dependence, and the experts' awareness of managing valuable rights. It seems that the above could justify the application of fiduciary laws.

It might be surprising and most probably unwelcome news to CMOs that another body of law is relevant to the collective administration[68] of copyright.[69] Yet fiduciary laws could guarantee trust, and, maybe, technology could strengthen relationships.

III. THE PROMISING CHAINS

Transactions and the records of them are among the defining structures in economic and legal systems,[70] protecting assets, creating ownership, or establishing a layer, where people interact in trust. Laws of trust are said to be partly inside technologies[71] and it is believed that a "programmable economy," enabled by meta-coins and smart technologies, may support new forms of exchange, new markets, and new kinds of economies.[72]

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67 Rightsholders are in a weak position, while CMOs have become the "*indispensable intermediaries*." Sebastian Haunss, *The Changing Role of Collecting Societies in the Internet*, 2 INTERNET POL'Y REV. 1, 1 (2013).

68 CMOs' reactions may be the same as regards to competition law. Helfer, *supra* note 13, at 76.

69 Such laws might, for instance, question the competence of a CMO, as a fiduciary, to transfer the beneficiary's (e.g. author's) right to receive fair remuneration to another CMO.

70 Marco Iansiti & Karim R. Lakhani, *The Truth About Blockchain*, 95 HARV. BUS. REV. 118, 119 (2017), https://hbr.org/2017/01/the-truth-about-blockchain ("[T]hey establish and verify identities and chronicle events.").

71 Johan Pouwelse et al., *Laws for Creating Trust in the Blockchain Age*, 6 ENV'T & PLANNING L.J. 321, 322 (2017), ("Laws of trust are now partly inside commercial software.").

72 Viveca Woods, *Gartner Says the Programmable Economy Has the Potential to Disrupt Every Facet of the Global Economy*, GARTNER, INC. (Oct. 8, 2015), https://www.gartner.com/newsroom/id/3146018 (mentioning as examples the attention economy, the reputation economy, the on-demand economy, and the resource optimization economy); *see also* Panos Constantinides, Ola Henfridsson & Geoffrey G. Parker, *Introduction-Platforms and Infrastructures in the Digital Age*, 29 INFO. SYS. RES. 381, 390 (2018), https://doi.org/10.1287/isre.2018.0794 (mentioning that blockchain offers infrastructure leaders the opportunity to not only increase efficiency and reduce costs, but also evolve ow physical commodities are distributed and consumed).

In fields of copyright, industries tend to adopt new technology solutions.[73] As many rightsholders can be involved in a movie or a song, complexity may occur in terms of right claims, ownership, or collection and distribution of royalties.[74] Some[75] have therefore proposed blockchain[76] to address the copyright "mess"; thanks to its potential for digital proof of

[73] Sergey Bludov, *Utilizing Blockchain Technology to Improve Music Copyright Management*, DATA ART (Apr. 24, 2017), https://blog.dataart.com/utilizing-blockchain-technology-to-improve-music-copyright-management.

[74] Benji Rogers, *How the Blockchain and VR Can Change the Music Industry (Part 1)*, CUEPOINT (Nov. 2016), https://medium.com/cuepoint/bc-a-fair-trade-music-format-virtual-reality-the-blockchain-76fc47699733. For a discussion on how musicians are paid, see Aisling Quinn, *Are Online Music Platforms Undermining the Principles of Copyright Law?*, 13 J. INTELL. PROP. L. & PRAC. 49, 52 (2018) (mentioning that contract terms limited Prince to a certain number of concert tours; *see also* Kevin Gray, *Kobalt Changed the Rules of the Music Industry Using Data – and Saved It*, WIRED (May 1, 2015), https://www.wired.co.uk/article/kobalt-how-data-saved-music ("[S]ongwriters signed to big music publishers often wait up to two years to get their money after it's been collected.").

[75] Ignacio De Leon & Ravi Gupta, *The Impact of Digital Innovation and Blockchain on the Music Industry* 19, INTER-AMERICAN DEVELOPMENT BANK (Nov. 2017), https://publications.iadb.org/bitstream/handle/11319/8627/The-Impact-of-Digital-Innovation-and-Blockchain-on-the-Music-Industry.PDF?sequence=1&isAllowed=y; BLOCKCHAIN: THE OPERATING SYSTEM FOR MUSIC, A SOLUTION TO THE MUSIC COPYRIGHT MESS 3 (Revelator white paper), https://www.weusecoins.com/assets/pdf/library/Blockchain%20Solution%20for%20the%20Music%20Industry.pdf (arguing that blockchain technologies could address the aspects of data openness/standardization and copyright ownership/transfer); *see also Music Business Worldwide, Universal, Sony, Warner Vow to Create A Working Global Rights Database*, MUSIC BUSINESS WORLDWIDE (June 14, 2016), https://www.musicbusinessworldwide.com/universal-sony-warner-vow-create-working-global-rights-database.

[76] Buterin offers a definition of blockchain:

> A blockchain is a magic computer that anyone can upload programs to and leave the programs to self-execute, where the current and all previous states of every program are always publicly visible, and which carries a very strong cryptoeconomically secured guarantee that programs running on the chain will continue to execute in exactly the way that the blockchain protocol specifies [. . .] They're Lego *Mindstorms for building economic and social institutions* . . . ." Vitalik Buterin, Visions, Part 1: The Value of Blockchain Technology, April 12, 2015, Ethereum Blog, available at https://blog.ethereum.org/2015/04/13/visions-part-1-the-value-of-blockchain-technology/. As others have argued, blockchains compete with organizations, but they are not organizations; they have market-like properties, but they are not markets; they facilitate transactions, not (just) exchange.

Sinclair Davidson, Primavera De Filippi & Jason Potts, Economics of Blockchain 1, 11, (Mar. 8, 2016), https://ssrn.com/abstract=2744751, http://dx.doi.org/10.2139/ssrn.2744751.

identity and costless verification, blockchain could have a wide range of applications, including the sphere of copyright management.[77]

By deploying cryptographic mechanisms to reach consensus, these chains are said to eliminate the need for an intermediary; as many scholars argue, they create a distributed trust system of value transfer.[78] After having shifted from Bitcoin to Ethereum,[79] the second generation or the "Blockchain 2.0," some experts[80] state that no intermediaries need to be involved and, hence, the network can have speed[81] and lower transaction costs. This emerging "beating heart of the global financial system"[82] could reduce organizational complexity[83] and verification and networking costs.[84]

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77 Marina Niforos, *Blockchain in Development – A New Mechanism of "Trust"?*, *in* BLOCKCHAIN: OPPORTUNITIES FOR PRIVATE ENTERPRISES IN EMERGING MARKETS, INTERNATIONAL FINANCE CORPORATION 9, 9 (Ofeoritse Daibo & Matt Benjamin eds., Oct. 2017), https://www.ifc.org/wps/wcm/connect/publications_ext_content/ifc_external_publication_site/publications_listing_page/blockchain+Report [hereinafter OPPORTUNITIES FOR PRIVATE ENTERPRISES].

78 Michael Casey, *The Blockchain: Decentralized Trust to Unlock a Decentralized Future*, O'REILLY (Sept. 8, 2016), https://www.oreilly.com/ideas/the-blockchain-decentralized-trust-to-unlock-a-decentralized-future.

79 Andrew Marshall, *Ethereum 101: from Idea to Release* (June 22, 2016), THE COIN TELEGRAPH June 22, 2016), https://cointelegraph.com/news/ethereum-101-from-idea-to-release; *see also* Gavin Wood, Ethereum: A Secure Decentralised Generalised Transaction Ledger (EIP-150 Revision 1,1, http://gavwood.com/Paper.pdf (providing Ethereum, a system such that users can be guaranteed that no matter with which other individuals, systems or organizations they interact, they can do so with absolute confidence in the possible outcomes and about how those outcomes might come).

80 Balázs Bodó & Joao Pedro Quintais, *Blockchain Copyright Symposium*, BLOCKCHAIN COPYRIGHT SYMPOSIUM (June 27, 2017), http://copyrightblog.kluweriplaw.com/2017/06/27/blockchain-copyright-symposium.

81 Marina Niforos, *Beyond Fintech: Leveraging Blockchain for More Sustainable and Inclusive Supply Chains*, *in* OPPORTUNITIES FOR PRIVATE ENTERPRISES, *supra* note 77, at 47 ("Walmart discovered that, while it normally takes more than six days to trace a package of mangoes from the supermarket back to the farm where they were grown, blockchain can reduce this time to seconds.").

82 Peter Vanham, *Blockchain Will Become 'Beating Heart' of the Global Financial System*, WORLD ECONOMIC FORUM (Aug. 12, 2016), https://www.weforum.org/press/2016/08/blockchain-will-become-beating-heart-of-the-global-financial-system.

83 Iansiti & Lakhani, *supra* note 70, at 16.

84 Christian Catalini & Joshua S. Gans, Some Simple Economics of the Blockchain (Sept. 21, 2017) (Rotman School of Management Working Paper No. 2874598; MIT Sloan Research Paper No. 5191-16), https://ssrn.com/abstract=2874598 or http://dx.doi.org/10.2139/ssrn.2874598.

Blockchain has been regarded as a meta-technology that involves game theory, cryptography, and software engineering.[85] Simply put, the process can be understood as follows: A wants to send coins to B; the transaction is represented online as a block; the block is broadcasted to every party in the network; those in the network approve that this transaction is valid; the block can be added to the chain that provides a transparent record of transactions; and coins move from A to B.[86] In this infrastructure, experts believe that trust is not brokered by intermediaries, but is embodied algorithmically in the transaction and the "algo-consensus" process is the trust agent.[87]

As some authors have argued, the main variants are either private or public closed blockchains (private/public permissioned) versus private or public open blockchains (permissionless).[88] Whether a ledger is public or private determines who has access to copies of the ledger; the attribute of

[85] Niforos, *supra* note 77, at 11; Matt Lockyer, *Building Blockchain Solutions to Real World Problems? – "The Revolution Will Not Be Centralized"*, MEDIUM (Dec. 9, 2017), https://medium.com/@mattdlockyer/understanding-blockchain-technology-2cb5636823eb; M. STAPLES ET AL., RISKS AND OPPORTUNITIES FOR SYSTEMS USING BLOCKCHAIN AND SMART CONTRACTS 2 (May 2017) (mentioning that blockchains combine cryptographic, data management, networking, and incentive mechanisms to support the checking, execution, and recording of transactions); Davidson, De Filippi & Potts, *supra* note 76, at 6 (blockchain is a "product of cryptography, invented as a solution to a problem in the design of digital money.").

[86] Lemieux provides a more technical and detailed overview concerning Bitcoin transactions: X proposes the transfer of Bitcoin to Y; the network checks that there is sufficient Bitcoin in X's wallet; nodes (miners) bundle the proposal with other transactions to create a new block; the blocks are cryptographically hashed (i.e., they are used as input to an algorithm that converts them into an alphanumeric string: the "hash value"); the hash is put into the header of the proposed block; the header becomes the basis for the proof of work performed by the nodes on the network; when a node reaches a solution to the proof-of-work, other nodes check it and then each other; the node that confirms the solution updates the blockchain with the hash of the header (of the proposed block); this becomes the new block's identifying string (and is part of the distributed ledger); the transaction is confirmed; X pays Y. Victoria Louise Lemieux, *Trusting Records: Is Blockchain Technology the Answer?*, 26 RECORDS MGMT. J. 110, 119 (2016); *see also* Vitalik Buterin, Ethereum White Paper, A Next Generation Smart Contract & Decentralized Application Platform (2014), https://coss.io/documents/white-papers/ethereum.pdf; Eric Funk, Jeff Riddell & Felix Ankel, Daniel Cabrera, *Blockchain Technology: A Data Framework to Improve Validity, Trust, and Accountability of Information Exchange in Health Professions Education*, 93 ACAD. MED. 1791 (2018); STAPLES ET AL., *supra* note 85, at 2.

[87] *See, e.g.*, Pim Otte, Martijn de Vos & Johan Pouwelse, TrustChain: A Sybil-Resistant Scalable Blockchain, FUTURE GENERATION COMPUTER SYSTEMS 1 (Sept. 1, 2017), https://www.researchgate.net/publication/319446067_TrustChain_A_Sybil-resistant_scalable_blockchain.

[88] *See, e.g.*, Niforos, *supra* note 77, at 30.

permission versus permissionless determines who maintains the ledger.[89] It is argued that in permissionless blockchains, like Bitcoin, anyone can participate, and anyone who is willing to pay the fees can create accounts and propose transactions; a lack of control over who can participate is often the goal of such systems.[90] On the other hand, with regard to permissioned systems, authors state that participation is controlled by an authority; this helps comply with the "know your customer" regulation.[91]

In the case of copyright management, it seems that blockchain could bring a secure, reliable, and scalable distributed transaction processing to licensing works. It could introduce traceable and verifiable ownership[92] and fair distribution of royalties.[93] Some state that via such technologies users could directly pay rightsholders.[94] Others mention several advantages that could be achieved;[95] smart contracts[96] could help rightsholders

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[89] Michael Mainelli & Mike Smith, *Sharing Ledgers for Sharing Economies: An Exploration of Mutual Distributed Ledgers (Aka Blockchain Technology)*, 3 J. FIN. PERS. 1 (Nov. 7, 2015), https://ssrn.com/abstract=3083963; GOV'T OFF. FOR SCI., DISTRIBUTED LEDGER TECHNOLOGY: BEYOND BLOCK CHAIN: A REPORT BY THE UK GOVERNMENT CHIEF SCIENTIFIC ADVISER (2016), https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/492972/gs-16-1-distributed-ledger-technology.pdf.

[90] Maurice Herlihy & Mark Moir, *Blockchains and the Logic of Accountability: Keynote Address, in* LICS '16 PROCEEDINGS OF THE 31ST ANNUAL ACM/IEEE SYMPOSIUM ON LOGIC IN COMPUTER SCIENCE 27, 27 (2016).

[91] *Id.*

[92] PHILIP BOUCHER, SUSANA NASCIMENTO & MIHALIS KRITIKOS, HOW BLOCKCHAIN TECHNOLOGY COULD CHANGE OUR LIVES, IN-DEPTH ANALYSIS 8-9 (Feb. 2017), http://www.europarl.europa.eu/RegData/etudes/IDAN/2017/581948/EPRS_IDA(2017)581948_EN.pdf; Opal Gough, *Blockchain: A New Opportunity for Record Labels*, 7 INT'L J. MUSIC BUS. RESEARCH 26, 31 (2018); Jessie Willms, *Is Blockchain-Powered Copyright Protection Possible?*, BITCOIN MAGAZINE (Aug. 9, 2016), https://bitcoinmagazine.com/articles/is-blockchain-powered-copyright-protection-possible-1470758430.

[93] KIM, ULTIMATE CONTENT PUBLISHING AND MONETISATION PLATFORM: WHITEPAPER (May 9, 2018), https://k.im/docs/whitepaper.pdf; Sarah Perez, *Spotify Acquires Blockchain Startup Mediachain to Solve Music's Attribution Problem*, TECHCRUNCH (Apr. 26, 2017), https://techcrunch.com/2017/04/26/spotify-acquires-blockchain-startup-mediachain-to-solve-musics-attribution-problem (mentioning that blockchain is the key to solving attribution, *I*.

[94] Sergey Bludov, *Blockchain, DDEX, dotBC and OMI – Oh My!*, DATA ART (Feb. 9, 2017), https://blog.dataart.com/blockchain-ddex-dotbc-and-omi-oh-my.

[95] Ryo Takahashi, How Can Creative Industries Benefit from Blockchain?, (Aug. 2017), KINSEY'S, https://www.mckinsey.com/industries/media-and-entertainment/our-insights/how-can-creative-industries-benefit-from-blockchain.

[96] Some have defined the "smart contract" as a computer program that can automatically execute the terms of a contact. By being self-executing and having property ownership information embedded, these contracts may solve the problems of counterparty trust; they are said to be trustless, autonomous, and self-efficient, making their formation and performance more efficient, cost-effective, and trans-

manage their rights and allocate revenue shares;[97] transparent and secure[98] peer-to-peer transactions could be established; tracking[99] the demand for content might lead to a more dynamic pricing;[100] even snippets could be made available; and a reputation system could be built, where producers and consumers would verify[101] one another.

So, it seems that the standard ways of producing content could change. Exclusive contracts between rightsholders and entities regarding copyright assignments[102] could be replaced by smart ones. This new environment could include one or multiple networked databases for copyright information, new file format, fast payment, and transparency.[103]

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parent. PETER FRØYSTAD & JARLE HOLM, WHITEPAPER, BLOCKCHAIN: POWERING THE INTERNET OF VALUE 30 (2015), https://www.evry.com/globalassets/insight/bank2020/bank-2020—-blockchain-powering-the-internet-of-value—-whitepaper.pdf.

97 To some, smart contracts can reduce costs of negotiation, verification, and enforcement by turning legal obligations into "self-executing transactions." Primavera De Filippi, Samer Hassan, *Blockchain Technology as a Regulatory Technology: From Code Is Law to Law Is Code*, 21 FIRST MONDAY (Dec. 5, 2016), http://firstmonday.org/ojs/index.php/fm/article/view/7113 (mentioning as earlier examples of "non blockchain-based" smart contracts traditional vending machines, DRM systems, and cars with automated speed limitations).

98 Neil B. Barnas, Blockchains In National Defense: Trustworthy Systems in a Trustless World 31, (June 2016), http://www.jcs.mil/Portals/36/Documents/Doctrine/Education/jpme_papers/barnas_n.pdf?ver=2017-12-29-142140-393 (mentioning that "blockchains are transparently secure").

99 Eric Piscini et al., *Blockchain: Democratized Trust, Distributed Ledgers and the Future of Value*, DELOITTE INSIGHTS (Feb. 24, 2016), (referring to tracking land titles: "The system . . . tracks [. . .] every change of ownership, every loan made against a single piece of land, and every contract made against mineral rights . . . . Users can track the entire history of a land title instantly . . . .").

100 *Blockchain – A Game Changer for the Art Industry?*, INFINITY BLOCKCHAIN LABS (May 7, 2018), https://www.blockchainlabs.asia/news/blockchain-a-game-changer-for-the-art-industry ("By tracking the demand for creative content, pricing could be more dynamic . . . .").

101 As regards verification in private and public blockchains, see Kevin Petrasic, *Beyond Bitcoin: The Blockchain Revolution in Financial Services*, INSIGHT, (Mar. 7, 2016) https://www.whitecase.com/publications/insight/beyond-bitcoin-blockchain-revolution-financial-services.

102 Ewa Fabian, *Blockchain, Digital Music and Lex Mercatoria*, 14 US-CHINA L. REV. 852, 853 (2017).

103 MARCUS O'DAIR, MUSIC ON THE BLOCKCHAIN, BLOCKCHAIN FOR CREATIVE INDUSTRIES RESEARCH CLUSTER 4, 8 (July 2016) (Middlesex University, Report N° 1), https://www.mdx.ac.uk/__data/assets/pdf_file/0026/230696/Music-On-The-Blockchain.pdf.

However, some might fear that art, a multibillion dollar[104] unregulated market "with unclear criteria just waiting to be harnessed,"[105] would then be controlled by "supercomputer" systems that would deploy it, not for aesthetical purposes but, purely for maximized marketability and value.[106] To others, risks might occur, as the ability to control works, as scarce objects could bring art and science (back) to a *quasi* cyber system characterized by the scarcity of the analogue environment.[107]

Interestingly, recent projects may allow creators or collectors to document or verify the authenticity of digital artifacts in order to secure their commercial value.[108] Securing the value is the aim,[109] an emergent property of a project; it is not something given, not a feature by construction. Moreover, smart contracts "may be set" to enforce rules attached to the artworks "*quasi-autonomously*";[110] they do not fully autonomously enforce themselves in any case.

While blockchain's advantages are said to be decentralization, cost efficient micro-transactions,[111] lack of complexity,[112] and information

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104 *Id.* at 5 (mentioning that the music industries are worth an estimated 45 billion dollars globally).

105 Lauren Cornell, *Algorithmic Models of Art's Future, A Proposition by João Enxuto and Erica Love for First Look: New Art Online*, RHIZOME (Apr. 25, 2016), http://rhizome.org/editorial/2016/apr/25/institute-for-southern-contemporary-art/.

106 *Id.*

107 As some have argued, blockchain essentially allows the reinstatement of artificial scarcity in the online world through tokenization of digital items. João Pedro Quintais, Lars Groeneveld & Balázs Bodó, *Blockchain Copyright Symposium: Summary Report*, KLUWER COPYRIGHT BLOG (Aug. 3, 2017), http://copyright-blog.kluweriplaw.com/2017/08/03/blockchain-copyright-symposium-summary-report.

108 Take, for example, "Monegraph" that allows verification of digital art via a work, a claim (e.g. a public tweet stating the work's ownership), or a record (an entry in the blockchain recording this information in some format). Anil Dash, *A Bitcoin for Digital Art, Currency Is Boring. Let's Make GIFs!*, THE MESSAGE (May 9, 2014), https://medium.com/message/a-bitcoin-for-digital-art-8c7db719e495; MONEGRAPH PROJECT, https://monegraph.com/#Overview (last visited May 12, 2019). Monegraph's licenses include: an Artwork license (for non-commercial use and personal enjoyment); a News Photo license (for editorial non-commercial use); a Product Image license (a more typical commercial rights-managed license); and a Snapshot license (which is a commercial agreement that virtually gives all rights to one party). *See Monegraph's Support Center, What Is a Monegraph License?*, MONEGRAPH (Sept. 28, 2015), https://monegraphhelp.zendesk.com/hc/en-us/articles/208202708-What-is-a-Monegraph-license-.

109 Martin Zeilinger, *Digital Art as 'Monetised Graphics': Enforcing Intellectual Property on the Blockchain*, 31 PHIL. & TECH. 15, 16 (2018) ("[S]o that, it is hoped, they can more efficiently secure the commercial value . . . .").

110 *Id. at* 17.

111 Roman Beck et al., Blockchain – The Gateway to Trust-Free Cryptographic Transactions 2 (2016) (Twenty-Fourth European Conference on Information Sys-

sharing,[113] commentators argue that its disadvantages may include: the fact that smart contracts cannot always trigger themselves;[114] blockchain relies solely on the correctness of predefined rules, which need to be secure, reliable and accurate;[115] technical problems[116] might occur with regard to scalability, latency or query issues; and consensus algorithms might involve additional costs.[117]

To some, the statement that these technologies are "unforgeable" or afford truly trustless transactions is not technically correct, since software flaws could allow for corruption.[118] Therefore, the blockchain's trustworthiness could be doubted.[119] In addition, permissioned blockchains could allow manipulation. This means that immutability and security[120] may be

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tems (ECIS), Istanbul, Turkey), https://aisel.aisnet.org/cgi/viewcontent.cgi?article=1145&context=ECis2016_rp.

112 Davidson, De Filippi & Potts, *supra* note 76, at 5.

113 Benedikt Notheisen, Jacob Benjamin Cholewa & Arun Prasad Shanmugam, *Trading Real-World Assets on Blockchain, An Application of Trust-Free Transaction Systems in the Market for Lemons*, 59 BUS. & INFO. SYS. ENGINEERING 425 (2017).

114 To some, these contracts require explicit interventions. Florian Glaser, *Pervasive Decentralisation of Digital Infrastructures: A Framework for Blockchain Enabled System and Use Case Analysis*, *in* PROCEEDINGS OF THE 50TH HAWAII INTERNATIONAL CONFERENCE ON SYSTEM SCIENCES 1543, 1547 (2017), https://pdfs.semanticscholar.org/859d/0535e16095f274df4d69df54954b21258a13.pdf.

115 Sapumal Ahangama & Danny Chiang Choon Poo, *Credibility of Algorithm Based Decentralized Computer Networks Governing Personal Finances: The Case of Cryptocurrency*, *in* HCI IN BUSINESS, GOVERNMENT, AND ORGANIZATIONS 165, 166-67, 173 (2016), https://link.springer.com/chapter/10.1007/978-3-319-39396-4_15.

116 Beck et al., *supra* note 111, at 11.

117 Karl J. O'Dwyert & David Malone, *Bitcoin Mining and its Energy Footprint*, *in* 25TH IET IRISH SIGNALS & SYSTEMS CONFERENCE 2014 and 2014 CHINA-IRELAND INTERNATIONAL CONFERENCE ON INFORMATION AND COMMUNICATIONS TECHNOLOGIES, https://ieeexplore.ieee.org/stamp/stamp.jsp?tp=&arnumber=6912770; Constantinides, Henfridsson & Parker, *supra* note 72, at 391 (arguing that Bitcoin mining operations in Iceland consume more energy than all Icelandic households combined). *But see* Davidson, De Filippi & Potts, *supra* note 76, at 3 (arguing that the basic economics of blockchain can be thought of the case for why decentralized solutions are likely to become increasingly cost effective, as they run down three exponential cost curves: Moore's law (cost of processing information halves every eighteen months); Kryder's law (cost of storing information halves every twelve months); and Nielsen's law (cost of shipping information halves every twenty-four months).

118 Zeilinger, *supra* note 109, at 22.

119 Smart contracts, implemented by code, may contain malicious flaws and, hence, malicious actors might control others' actions. Kevin Delmolino et al., Step by Step Towards Creating a Safe Smart Contract: Lessons and Insights from a Cryptocurrency Lab 1, 7-8 (2015), https://eprint.iacr.org/2015/460.pdf.

120 STAPLES ET AL., *supra* note 85, at 42 (mentioning that confidentiality, a property of security, means that unauthorized disclosure of information does not take

exaggerated; since blockchain is powered by the consensus protocol (proof-of-work), its "history" could be rewritten by attackers, who would control more than the half of the proof-of-work resources.[121]

As commentators argue, most of the features that are stated as intrinsic, like "exact copy," are not intrinsic, but desired properties of a system that involves many users; not all of them may be trusted.[122] The system can be ordered, digital, or cryptographically verifiable. Yet other features, such as "distributed," are believed to be characteristics added by sharing, distribution, communication, and protocols.[123] To some, the "immutability" is also an emergent property and the statement that transactions "cannot be modified" is incorrect and misleading.[124] The reduction of energy might also be questionable, since the use of more computing nodes might result in the opposite.[125] One could even further argue that, in the absence of a central authority, integrity of the system is also emergent.[126]

It seems, then, that the goals of a blockchain should not be regarded as its existing and intrinsic properties. There are some uncertainties and

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place; this is usually hard to establish in blockchains, since the default is that information is visible for everyone in the network).

[121] Nicola Atzei, Massimo Bartoletti & Tiziana Cimoli, *A Survey of Attacks on Ethereum Smart Contracts (SoK)*, *in* PRINCIPLES OF SECURITY AND TRUST (LECTURE NOTES IN COMPUTER SCIENCE 164 (Matteo Maffei & Mark Ryan eds., 2017).

[122] To some, trust cannot be replaced by algorithms instead of institutions and market authorities; to ensure a trustless infrastructure in financial transactions would require all financial agreements to be cash-collateralized at 100%, which is very challenging from a cost-of-capital perspective. Constantinides, Henfridsson & Parker, *supra* note 72, at 391. Besides, trust is not created by a technology. Svein Ølnes, Jolien Ubacht & Marijn Janssen, *Blockchain in Government: Benefits and Implications of Distributed Ledger Technology for Information Sharing*, 34 GOV'T INFO. Q. 355. 360 (2017) (mentioning that blockchain technology "*can*" facilitate better control and audit which ultimately "*might*" lead to some level of trust).

[123] Daniel Conte de Leon et al., *Blockchain: Properties and Misconceptions*, 11 ASIA PAC. J. INNOVATION & ENTREPRENEURSHIP 286, 288-90 (2017).

[124] *Id.*; *see also id.* at 292 (where the authors question the "speed of convergence" and the "size of the consensus," which, to the authors, are not by construction properties); *id.* at 294 (arguing that the blockchain cannot be unique, since not all users may observe the same blockchain at the same time).

[125] Ølnes, Ubacht & Janssen, *supra* note 122, at 360.

[126] For a discussion on blockchain "myths," see STAPLES ET AL., *supra* note 85, at 33, 43 (challenging, among others: trust (users are exposed to risk in their use of the technology); smart contracts (which are not agreements per se, and, in case of Ethereum, where smart contracts are written in Turing-complete programming language, it is hard to verify that they correctly implement integrity properties); and costs (electricity is wasted by not leading directly to a successful puzzle solution)).

further experimenting would be needed to fully understand its possibilities and its limitations.[127]

IV. CONCLUSION: WHAT FUTURE FOR COPYRIGHT MANAGEMENT?

Regardless of emergent properties and expected goals, it seems that blockchains, like collective management of copyright, may "*come in many shapes and sizes.*" Yet, free entry to some blockchains can be allowed. This resembles "*voting with one's feet*," an environment where the efficiency advantage derives from the elimination of a centralized monopoly control over the rules of the game.[128] This is some kind of "crypto-secession",[129] which brings us back to the freedom for copyright owners to "*vote with their feet*", a main pillar of the EU's policy. Blockchains could be a good fit for copyright management; they could create a "*Commons 3.0*" environment[130] to algorithmically address the problems of cooperation in production and maintain the benefits of commons-type governance.

Over a decade ago, when some asked what happens when all books in the world become a single liquid fabric of interconnected words and ideas;[131] others answered that a universal library would deepen our grasp of history,[132] transforming isolated books into the universal space of all human knowledge.[133] In this context, one could argue for a potential single 24/7 "all-you-can-eat and whatever-you-want restaurant"[134] of all arts and science ever produced.

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127 For a discussion, see Herlihy & Moir, *supra* note 90, at 27 (focusing on challenges concerning authorization, fairness, and incentives).

128 Davidson, De Filippi & Potts, *supra* note 76, at 14 (arguing that the political economy of blockchain is a kind of private order competitive federalism).

129 Trent MacDonald, Theory of Non-Territorial Internal Exit 8-9 (Feb. 1, 2015), https://ssrn.com/abstract=2661226, http://dx.doi.org/10.2139/ssrn.2661226 (defining crypto-secession as the process in which citizens secede from an incumbent state and recoalesce in new "virtual states" that are akin to non-territorial public good clubs; it can be described as a form of tax evasion, but it is more accurately classified as a process of partial secession and de facto jurisdiction formation). To the author, secession is "permissionless" and non-territorial, while the cost of forming seceding groups is greatly diminished.

130 Davidson, De Filippi & Potts, *supra* note 76, at 13.

131 Kevin Kelly, *Scan This Book!*, The New York Times Magazine (May 14, 2006), https://www.nytimes.com/2006/05/14/magazine/14publishing.html.

132 William C. Zehringer, *"Sheep May Safely Graze": The Digital Common and the Universal Library*, 14 Libr. & the Acad. 1, 2 (2014).

133 Kelly, *supra* note 131.

134 G.M., *Digital Music: Stuck in the Middle with Spotify*, The Economist (May 27, 2016), https://www.economist.com/prospero/2016/05/27/stuck-in-the-middle-with-spotify.

To some, the tokens could be digital copies of the works.[135] If this were the case, works could be subjected to a radical regime; an extreme alternative to copyright management, under which all intellectual products would remain non-owned, or would be used by all participants of the blockchain, who would have a copy of a given work. Products of human intellect would not be owned by individuals, firms, or governments; ideas and the expressions of them would be available to be used by anyone,[136] who would participate in the blockchain. This might be the "information socialism"[137] that would expand intellectual commons,[138] foster creativity, and lead to a greater political and economic equality.[139] A utopian universal digital library that would leave no room for intermediaries; CMOs might be left out of the game. In the absence of intermediaries, markets could, perhaps, work to their full capacity.[140]

It seems, however, that this straightforward alternative to copyright management is far from simple and, most probably, we are far from there. In another scenario, where the tokens would be digital copies of the works, CMOs could be let in. Blockchains could promise an environment similar to registration systems that were proposed in the past;[141] authors could be required to declare by a clear affirmative action their wish to protect their works. Flexible blockchains[142] might better comply with the

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135 Quintais, Groeneveld & Bodó, *supra* note 107, at 8 ("These tokens can be digital copies of copyright works; they can also refer to rights, license terms or payment for the use of works").

136 *See* MARTIN BRIAN, INFORMATION LIBERATION, CHALLENGING THE CORRUPTIONS OF INFORMATION POWER (1998), https://www.uow.edu.au/~bmartin/pubs/98il/ilall.html#chapter%2010. The author mentions language and scientific knowledge as examples of non-owned intellectual products and points out that the most dynamic parts of science are those with the least secrecy; turning knowledge into a commodity inhibits science.

137 RICHARD SPINELLO & MARIA BOTTIS, A DEFENSE OF INTELLECTUAL PROPERTY RIGHTS 6 (2009) (with further references).

138 Non-owned public spaces have enormous social value, but, on the Internet, everything is owned by some private entity; even these websites independently run by natural persons are hosted on some private server. So, there is no commons on the Internet. *See* Schneier Bruce, DATA AND GOLIATH, THE HIDDEN BATTLES TO COLLECT YOUR DATA AND CONTROL YOUR WORLD 221-22 (2015) (arguing that we need places to speak, converse, gather, or protest).

139 SPINELLO & BOTTIS, *supra* note 137; BRIAN, *supra* note 136.

140 Schroff & Street, *supra* note 16, at 1305-06 (mentioning that the European Commission has come to the view that the music market is not working to its full capacity and a "main source of this underperformance has been attributed to the collective management organisations").

141 Christopher Jon Sprigman, *Reform(aliz)ing Copyright*, 57 STAN. L. REV., 485, 556 (2004).

142 Quintais, Groeneveld & Bodó, *supra* note 107 ("[B]lockchain technology is remarkably flexible.").

digital environment and today's uses of works, guaranteeing a more equitable, accessible and innovative world. Smart licenses, inspired by Creative Commons, could perhaps become the default. Namely, artworks or scientific works could be made available under open licenses that would foster creation and cultural diversity.

However, many scholars argue that the very works could not be stored in a blockchain;[143] only metadata would be stored.[144] Storing only a hash of data on-chain and keeping contents off-chain might improve confidentiality and performance, but would perhaps create a point of failure reducing system availability and reliability.[145] Another question here would be whether private or public blockchains should be preferred. For instance, using private ones might allow greater control over the admittance of processing nodes and transactions, but would most probably increase barriers to entry for participation and could, hence, reduce some of the benefits of using a blockchain.[146] The opposite would be true in case of public blockchains.

In any case, as regards CMOs, it seems that a fair and transparent licensing process to secure an appropriate level of royalties for rightsholders could be achieved in the interest of all parties and, therefore, of cultural diversity. This was what many big players (including Amazon, Nokia, PRS for Music, Universal Music Publishing) argued for in their joint statement of October 19, 2009, on "General principles for the online distribution of music."[147] So, projects could aim at enabling rightsholders to receive a high percentage of sales income,[148] CMOs could resolve ownership uncertainties by using blockchains to create shared and decentral-

143 Alexander Savelyev, *Copyright in the Blockchain Era: Promises and Challenges*, 34 COMPUTER L. & SECURITY REV. 550, 556 (2018); Gough, *supra* note 92, at 33 ("[B]lockchain is not suitable for storing data at high volumes."); STAPLES ET AL., *supra* note 85, at 32 ("[T]hey are not suitable for storing Big Data.").

144 In the past, CISAC proposed the Global Repertoire Database to, amongst others, save costs by reducing duplication and errors in data registration and processing. *See* CISAC, 2013 CISAC ANNUAL REPORT, http://www.cisac.org. For the failure of the project, see Klementina Milosic, *GRD's Failure*, BERKLEE C. OF MUSIC, MUSIC BUS. J. (Aug. 2015), http://www.thembj.org/2015/08/grds-failure.

145 STAPLES ET AL., *supra* note 85, at 36.

146 *Id.* at 37.

147 *See* Joint Statement from the Online Commerce Roundtable Participants on "General Principles for the Online Distribution of Music" 1, http://ec.europa.eu/competition/sectors/media/joint_statement_1.pdf.

148 Brendan Howley, *The Razor's Edge, Blockchain, Ledger Legerdemain, and the Public Library*, INFO. TODAY, Nov. 14, 2016, at 14 (mentioning that MUSE is touted as a "*third generation*" blockchain; it may enable artists to receive a high percentage of sales income; more than 90%).

ized databases with real-time update and tracking capabilities,[149] and one or multiple databases could be introduced not only to act as a clearing house for information on rights and ownership, but also to perform as a CMO and, hence, promote competition.[150]

However, some commentators argue that even metadata would be huge[151]. There would be too many contracts leading to high computing costs. In the case of a public blockchain, while read access to metadata could be achieved,[152] users might not be able to pay for these computing resources to execute all smart contracts. On the other hand, if CMOs, as operators of private chains, were willing to pay these costs, the very network might limit access to metadata and contradict the alleged decentralized nature of blockchains; and users would need approval from the operators.[153]

It seems, then, that although the advent of blockchains will most probably bring many new opportunities, they also present challenges for copyright management. While a utopian universal library of all arts and science would most probably not be the solution, different licensing scenarios could be introduced to meet the standards that the proponents of the *commons* have long been proposing. This would be a copyright-friendly approach that could be brought to the discussion table to let arts and science flow, encourage rightsholders, and let audiences get to share in whatever is going on. If it were true that only metadata would be stored, then a commons-like management would probably not be introduced. Yet, higher levels of transparency could be guaranteed in the existing regime to benefit rightsholders and the culture itself.

So far, it has been argued that although CMOs' importance is acknowledged by both the academic community and the law, albeit, there is a need for higher levels of transparency. In this context, fiduciary laws

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149 This seems to be the direction towards which some CMOs are moving. *See Blockchain: SACEM, ASCAP and PRS for Music Join Forces to Improve the Identification of the Works*, SACEM (Apr. 13, 2017), https://societe.sacem.fr/en/news/authors-rights/blockchain-sacem-ascap-and-prs-for-music-join-forces-to-improve-the-identification-of-the-works.

150 Similarly, the Digital Copyright Exchange was proposed to, amongst others, enable licensees to look for different types of content or define the uses they wish to make. RICHARD HOOPER, RIGHTS AND WRONGS, IS COPYRIGHT LICENSING FIT FOR PURPOSE FOR THE DIGITAL AGE? 12 (Mar. 27, 2012) (first report of the Digital Copyright Exchange Feasibility Study, Intellectual Property Office, London, UK, Mar. 27, 2012), http://bufvc.ac.uk/copyright-guidance/mlr/index.php/site/279); Towse, *Economic Effects*, *supra* note 11, at 56.

151 David Gerard, *Why You Can't Put The Music Industry on a Blockchain*, HYPERBOT (2017), http://www.hypebot.com/hypebot/2017/08/why-you-cant-put-the-music-industry-on-a-blockchain-excerpt.html.

152 Savelyev, *supra* note 143, at 551.

153 *Id.*

were proposed to regard CMOs as entrustees that would act for the benefit of the rightsholders. This framework could allow CMOs to better perform their role as promoters of creativity and culture. Acting to benefit or even further the rightsholders' interests, CMOs could also reform their strategies through blockchain that would guarantee some higher levels of transparency and trust. While blockchain's potential has not yet been fully predictable, some investment could be promoted to allow experimentation and, hence, better understanding of possibilities and limitations. Perhaps what all parties could do is cooperate in a spirit of trust, make the best out of technologies, and interpret laws in ways to promote science and arts.

NAUGHTY BITS: AN EMPIRICAL STUDY OF WHAT CONSUMERS WOULD MUTE AND EXCISE FROM HOLLYWOOD FARE IF ONLY THEY COULD

by DOUG LICHTMAN* & BENJAMIN NYBLADE**

Should parents have the freedom to block potentially offensive language, sexuality, and violence from the films their children watch at home? Should an adult with reservations about explicit material be allowed to experience *Titanic* without that film's one notorious nude scene, or *Schindler's List* without its most uncomfortable audio and video moments? And are these freedoms rightly limited by the relevant decision-maker's ability to engage the fast-forward and mute buttons quickly enough, or should copyright law make room for more sophisticated solutions, even over the objections of a hostile copyright community? In this Article, we offer a unique contribution to this long-running debate: detailed data about what consumers would mute and excise from Hollywood films if only they could. Specifically, we report on the decisions made by roughly 300,000 viewers as they filtered and then watched nearly 4 million movie streams during calendar year 2016. The data, we argue, make a strong case in favor of a permissive copyright regime where viewers would have significant freedom to filter films according to their own religious, moral, and public policy convictions.

I. INTRODUCTION

In the late 1990s, the motion picture *Titanic* was a veritable blockbuster. It was the first film in history to gross more than one billion dollars in worldwide box office sales,[1] and it set records that still stand for both the highest number of Oscar nominations[2] and the highest number of Oscar

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[1] Leonard Klady, *'Titanic' Sails to All-Time Box Office Record*, VARIETY (Mar. 3, 1998), https://variety.com/1998/film/news/titanic-sails-to-all-time-box-office-record-1201345048.

[2] Joey Nolfi, *'La La Land' Ties Record for Most Oscar Nominations Ever*, ENTERTAINMENT WEEKLY (Jan. 24, 2017), https://ew.com/oscars/2017/01/24/la-la-land-oscars-record.

wins.[3] When the movie was released on videotape in 1998, copies unsurprisingly flew off the shelves nationwide. Yet, in the heavily Mormon town of Pleasant Valley, Utah, almost no one was buying. "The problems were not only sexual," reported Don Biesinger, owner of the local video store, but also "violence, dead bodies and everything."[4] So Biesinger took matters into his own hands: he purchased relatively crude video editing equipment, invited customers to bring to his store legitimately acquired videotaped copies of the film, and then, for five dollars, physically cut the controversial scenes from each tape.

Biesinger told reporters that he believed his service was legal. As he explained, "We figure [our customers] own the movies and can do anything they want with them."[5] But copyright holders vehemently disagreed. Paramount Pictures publicly threatened to take "all necessary and appropriate" steps to protect the studio's interest in the film.[6] An industry-wide boycott of Biesinger's mom-and-pop shop was briefly proposed,[7] and there was even talk in Hollywood of adding a protective contractual provision (the "Biesinger Clause") to the web of contracts under which movies wend their way from backlot to theater to video store.[8] One prominent director well summarized the mood, complaining that Biesinger "is mutilating art. It's like being a museum curator and taking a Picasso painting of a nude and painting a bathing suit on it and trying to pass it off as a Picasso."[9]

No litigation was ever filed with respect to Biesinger's do-it-yourself approach to film editing, and Biesinger himself passed away just a few months after the editing controversy exploded.[10] But the genie was out of the bottle, and, by 2002, a who's-who Hollywood litigation was framed: on

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[3] Mahita Gajanan, *Here's Who Has Won the Most Oscars Ever*, TIME (Feb. 14, 2018), http://time.com/5148660/who-has-won-the-most-oscars.

[4] Katharine Biele, *Videos: Who Makes the Final Cut?*, THE CHRISTIAN SCIENCE MONITOR (Oct. 5, 1998), https://www.csmonitor.com/1998/1005/100598.us.us.1.html (quoting Biesinger, owner of Sunrise Family Video in Pleasant Valley, Utah).

[5] *Id.*

[6] David M. Bresnahan, *Utah Video Business vs. Hollywood*, WND INDEPENDENT NEWS NETWORK (Sept. 3, 1998), https://www.wnd.com/author/dbresnahan/page/28/?archive=true. (quoting a Paramount spokesman); *Seeworthy*, PEOPLE MAGAZINE, Oct. 26, 1998 (same).

[7] Jeff Call, *Am. F. Video Store May Be Winning Battle with Studio over Edited Films, but Theater Feels Backlash from All in Hollywood*, DESERET NEWS (July 30, 1999), https://www.deseretnews.com/article/710097/AmF-video-store-may-be-winning-battle-with-studio-over-edited-films.html.

[8] *Id.*

[9] Associated Press, *Film Director Furious at Am. F. Video Store*, DESERET NEWS (Oct 27, 1998), https://www.deseretnews.com/article/659710/Film-director-furious-at-AmF-video-store.html (quoting famed movie director John Frankenheimer).

[10] Call, *supra* note 7 (noting Biesinger's passing).

one side, a handful of technology companies with such names as Clean Flicks, Clear Play, Family Flix, and Play It Clean Video; on the other, movie studios including MGM, Time Warner, Sony, Disney, DreamWorks, Paramount, and Twentieth Century Fox, along with prominent movie directors, including Steven Soderbergh, Steven Spielberg, Robert Redford, and Sydney Pollack; and, in the middle, Judge Richard Matsch of the District of Colorado.[11]

Two types of filtering technology were at issue. Firms that offered "Mechanical Editing" sold replacement versions of major Hollywood films, typically by purchasing legitimate videotapes or DVDs, copying the inoffensive portions from those originals onto new physical media, and then selling the new media while destroying each original. The idea was to preserve a one-to-one relationship between purchased and edited versions so as to stave off any allegation that these businesses were engaged in piracy. Firms that offered "Electronic Editing," by contrast, did not sell movies at all. Instead, these firms sold playback devices capable of recognizing whatever movie a customer inserted into the device, pulling data about the objectionable material present in that particular film, and then, during playback, automatically engaging mute and fast-forward accordingly. Here, too, the idea was to ensure that copyright holders would be compensated for at-home filtered performances. Electronic Editing only worked if the user first acquired a legitimate, unedited copy of the film.

For four years, copyright holders nevertheless argued that both of these approaches violate copyright law.[12] Mechanical Editing involved the creation of physical copies, thus implicating copyright holders' exclusive rights to reproduce their work. And, while Electronic Editing did not implicate reproduction in the traditional sense, it did involve the creation of a detailed database tracking the timing and extent of the language, vio-

[11] *See* Docket, Huntsman v. Soderbergh, No. 1:02-cv-01662 (D. Colo. Aug 29, 2002).

[12] In addition to the copyright claims, Hollywood stakeholders also asserted claims under trademark and unfair competition law. *See, e.g.*, Plaintiffs Brief in Support of Summary Judgment, Huntsman v. Soderbergh (D. Colo. June 8, 2003) (summarizing the issues). Those theories strike us as uninteresting, however, because any confusion caused by filtering can be easily addressed through clear labeling of the various products, services, and films. Besides, the fact that unedited versions of every implicated film were also available in the marketplace seems likely to have further mitigated the risk that consumers would perceive an edit poorly and wrongly assign blame. *Cf. Family Movie Act of 2004, Hearing Before the Subcommittee on Courts, the Internet and Intellectual Property of the House Judiciary Committee* 11, 108th Cong. (2004) (prepared statement of Mary Beth Peters, Register of Copyrights) ("While the artistic integrity as well as the continuity of [an edited] motion picture may suffer, the person viewing the edited performance is fully aware that he or she is viewing a performance of less than the entire motion picture because that was his or her preference.").

lence, and intimacy in each film, and it likewise resulted in the creation of an at-home performance that was clearly based on, and largely redundant to, the performance associated with the unedited copyrighted original. The copyright allegations were thus sweeping. The Mechanical Editing Parties were accused of "directly infringing the Studios' copyrights in their films by creating, marketing, distributing, duplicating, renting, selling and/or offering for sale unauthorized edited versions of the Studios' films on VHS videocassettes and digital versatile discs (DVDs)," and the Electronic Editing Parties were accused of "creating, distributing, marketing, and selling the exact same infringing end-product" but "merely accomplishing these same ends utilizing different technologies."[13]

The technology companies responded by arguing public policy, both to the court[14] and in parallel to Congress. They argued that any technical acts of infringement should be excused because their products and services protect children from indecent materials. They argued that filtering serves the public interest because it helps diverse communities come together behind shared cultural experiences while still respecting individual religious and moral beliefs. And they argued that, because the technologies in dispute all preserved a one-to-one relationship between original and filtered copies, filtering of the sort at issue in the case did not harm copyright holders economically. Judge Matsch was not convinced. "What is protected [by copyright] are the creator's rights to protect its creation in the form in which it was created," wrote the judge in his final substantive ruling in the case.[15] Congress, meanwhile, split the baby, enacting a limited exception to copyright law under which Electronic Editing, but oddly only Electronic Editing, was deemed not to infringe copyright.[16]

Fast forward to modern times, and the debate over film filtering is heating up anew. In 2017, the Ninth Circuit issued a precedential opinion

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[13] Motion Picture Studio Defendants' Statement Clarifying Claims at 3, Huntsman v. Soderbergh (D. Colo. Mar. 11, 2003).

[14] Copyright law's "fair use" doctrine invites accused infringers to explain, on policy grounds, why activity that might otherwise infringe copyright should nevertheless be excused in a particular case. The doctrine is codified at section 17 U.S.C. § 107, but it remains an explicitly flexible, equitable doctrine that welcomes a wide range of arguments from accused infringers. There is an enormous body of literature on the topic. For a sampling, see William W. Fisher III, *Reconstructing the Fair Use Doctrine*, 101 HARV. L. REV. 1661 (1988); Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105 (1990).

[15] Clean Flicks of Colo., LLC v. Soderbergh, 433 F. Supp. 2d 1236, 1240 (D. Colo. 2006).

[16] Perhaps Congress was worried about piracy. After all, under Electronic Editing, there is no way for a viewer to watch a filtered film without first independently acquiring access to the unedited original. Under Mechanical Editing, however, there is at least some risk that a dishonorable firm will create an edited version and then not actually destroy the original copy from which it came.

clarifying the degree to which the above-described Electronic Editing exception applies to companies that stream edited movies online.[17] The short version: it's complicated.[18] That same case was then remanded for further proceedings that have since addressed related topics, including the degree to which copyright law's fair use doctrine might apply instead.[19] In parallel, Congress is actively considering legislation that would protect from liability a broader range of at-home filtering technologies.[20] And technology companies continue to experiment with new approaches regardless of the law, including artificial intelligence systems that in the not-too-distant future might be able to engage in fully automated, context-sensitive, personalized movie filtering,[21] at least if either copyright holders allow it, or the law is interpreted such that technology companies can pioneer these new products and services over Hollywood's objections.

It is into this ever-changing technical and legal ecosystem that we introduce the one thing that has been long missing from the fight: data. Specifically, in this Article, we report and analyze previously unavailable, detailed information about what roughly 300,000 real people chose to mute and excise from Hollywood films when they were given the chance. This information is directly relevant to the legal and policy questions pending today before both courts and Congress. For example, if filtering technologies turn out to be used primarily to protect children from undesirable exposure to indecent materials, courts interpreting the relevant copyright exceptions and politicians debating potential changes to the law might both be more inclined to make room for film filtering. Protecting children from indecency, after all, is a concept with a long and distinguished legal pedigree, anchored in the Supreme Court's famous

[17] Disney Enters., Inc. v. VidAngel, Inc., 869 F.3d 848 (9th Cir. 2017).

[18] For discussion, see Thomas B. Norton, *Watch What You *Bleeping* Want: Interpretation of Statutes Dealing with Advancing Technology in Light of the Ninth Circuit Case of* Disney Enterprises, Inc., v. VidAngel, Inc., 25 J. INTELL. PROP. L. ASS'N 287 (2018).

[19] *See* Docket, Disney Enters., Inc. v. VidAngel, Inc., No. 2:16-cv-04109 (C.D. Cal. 2016) (pending).

[20] *See* Family Movie Clarification Act of 2018, H.R. 6816 (115th Cong.) (sponsored by Utah Representatives Love, Biggs, Curtis, Bishop, and Stewart, and Illinois Representative Messer).

[21] Facebook has already deployed systems of this sort, using artificial intelligence to find and filter nudity, graphic violence, hate speech, and the like. *See* Daniel Terdiman, *Here's How Facebook Uses AI to Detect Many Kinds of Bad Content*, FAST COMPANY (May 2, 2018), https://www.fastcompany.com/40566786/heres-how-facebook-uses-ai-to-detect-many-kinds-of-bad-content. Google, too. *See* Amelia Heathman, *Google Is Using AI to Find Child Sexual Abuse Material Online*, EVENING STANDARD (Sept. 4, 2018), https://www.standard.co.uk/tech/google-ai-child-sexual-abuse-material-tool-a3926956.html.

Pacifica[22] decision and reaffirmed most recently in *Ashcroft v. ACLU*, a case that explicitly endorsed filtering as an effective response to salacious materials online.[23] By contrast, courts and lawmakers might be less forgiving if filtering turns out to simply be a way for adults to duck what would otherwise be socially beneficial opportunities to question their own religious, moral, and policy views on charged topics like race and sexuality.

The data that undergird this Article come from the technology startup VidAngel. During 2016, VidAngel offered a streaming service that empowered users to mute potentially offensive audio and cut potentially offensive video from Hollywood films. Copyright litigation forced VidAngel's service offline in December of that year. But, in the preceding eleven-and-a-half months, VidAngel managed to transmit roughly four million filtered streams and, for each, to record not only which filters each user applied to which film, but also how many minutes of the resulting film each user then watched. We use that data to explore many of the above-discussed issues. For example, we analyze the types of materials cut, discovering, surprisingly, that video filters are primarily used to filter scenes involving intimacy, rather than those related to violence. We also examine the extent to which viewers want to edit films in the first place, finding that even the most cautious viewers use filters as scalpels, not sledgehammers, muting and excising only a tiny fraction of a film's content. We ultimately use this information to argue in favor of an expanded copyright exception that would clearly protect modern filtering technologies from allegations of infringement.

The Article proceeds in six short sections. We begin in Section II with a discussion of the reasons Hollywood stakeholders are reluctant to offer viewers the option of watching filtered films. In Section III, we introduce and summarize VidAngel's service and the data it generated. Section IV reports descriptive information about the market for filtered films. Among other things, we report the average number of filters triggered per stream, and the average amount of content cut. Section V examines the types of content being filtered. Here, for example, we report findings as to which words were most likely to be muted from a film's stream. Section VI addresses user satisfaction, reporting information about the extent to which users enjoyed the films they themselves chose to filter. Lastly, Section VII offers our view on the implications of this work, focusing in particular on the question of whether copyright holders should have a veto

[22] FCC v. Pacifica Found., 438 U.S. 726 (1978) (upholding federal regulations designed to reduce the risk that children will be inadvertently exposed to indecent language on broadcast radio).

[23] Ashcroft v. Am. Civil Liberties Union, 542 U.S. 656 (2004) (striking down the Child Online Protection Act on the ground the user-defined filters were a sufficiently effective, less restrictive alternative).

right over technologies and services that would otherwise empower users to filter at home.

II. THE CONTROVERSY

At first blush, one might think that Hollywood stakeholders would all largely support the idea of offering filtered films to interested viewers. Filtering, after all, looks like a clear win-win: viewers would be enticed to watch movies they might otherwise skip due to the presence of uncomfortable content, and the various Hollywood stakeholders would enjoy the artistic and financial benefits associated with reaching even larger audiences.

Yet, Hollywood stakeholders have historically engaged in only limited forms of self-filtering. Nearly every major Hollywood studio works with television broadcasters to create versions of popular films that comply not only with regulations promulgated by the Federal Communications Commission but also with cultural norms about what words and images are appropriate for advertiser-supported broadcasts. Studios and directors similarly work with airline carriers to remove potentially offensive content, there not because of any legal rule but instead for fear of the public outcry that might follow if offensive materials were shown on an airline's big screen or offered privately on seat-back entertainment units. Studios and directors even occasionally remove potentially troubling content prior to a film's theatrical release, as when a film is originally rated NC-17 by the Motion Picture Association of America but then earns a less-restrictive, more audience-friendly rating simply by cutting a scene or editing some dialogue.[24] But no studio offers a comprehensive slate of filtered films ready for easy, at-home viewing. No studio offers a service on par with what VidAngel offered to its customers, namely tools through which viewers can choose which films, and what content, to quiet. And nearly every studio has at one time or another actively opposed the sale of third-party products and services like VidAngel's streaming service or the specialized DVD players described in the Introduction. So what explains this hesitant industry posture?

One possible explanation is that, for some Hollywood stakeholders, filtering is perceived as an affront to artistic integrity. Under this argument, removing profanity, cutting short an intimate scene, or otherwise limiting potentially uncomfortable content is problematic because, by defi-

[24] *See* Jason Bailey, *10 Films That Avoided the NC-17 Rating and Suffered for It*, THE ATLANTIC (Dec. 2, 2011), https://www.theatlantic.com/entertainment/archive/2011/12/10-films-that-avoided-the-nc-17-rating-and-suffered-for-it/249408 (offering examples where scenes and dialogue were cut for this reason from films including *Eyes Wide Shut*, *Natural Born Killers*, and *Basic Instinct*). Interestingly, studios sometimes add extraneous language or nudity in order to move a film to a higher rating category, again for marketing reasons.

nition, it distorts the original film. *Schindler's List*, from this perspective, is simply not the same movie if the Jewish prisoners are only shown fully clothed and the German guards speak only respectful words. Likewise, and contrary to what the Ninth Circuit Court of Appeals recently stated in a published opinion on these issues,[25] *Return of the Jedi* is emphatically not the film George Lucas imagined if Princess Leia never dons that shimmering bikini. To at least some Hollywood stakeholders, then, any expansion in the availability of filtered films is problematic because filtering itself is problematic. More viewers might watch *Straight Outta Compton* if they could do so without hearing the film's vulgarity, but Dr. Dre might for his own reasons prefer not to make that option available. On this argument, that call is his to make.

Another possible explanation for the industry's awkward posture might be that Hollywood stakeholders are worried about the quality of the filtered film experience. Filters that remove objectionable audio or video might inadvertently also remove scenes or dialogue critical to the film's story. The conclusion of the *Imitation Game*, for example, would make little sense without the film's earlier segments focused on Alan Turing's sexuality. Jodi Foster's character in *The Accused* similarly cannot be understood without at least some of the film's discussion of the rape that launches the film's central story arc. Moreover, choppy video transitions and unscripted instances of silence can detract from the viewing experience even if the removed material is not otherwise consequential from a storytelling perspective. On this argument, then, filtering is undesirable because it might trigger a reputational backlash where viewers watch a filtered film, have a bad experience, and then think poorly of the implicated studio, film, writers, director, producer or actors.

A third reason Hollywood stakeholders might be reluctant to support an expanded market for filtered films is that filtering plausibly creates a mismatch risk where, because filtered films are available, a user might watch a film that is inappropriate for that user even in filtered form. For example, viewers who disapprove of sexual content might think they can enjoy *Fifty Shades of Grey* with the film's intimate scenes removed, but, in reality, they will probably dislike that film anyway given its overarching themes, story, and humor. (No one watches *Fifty Shades* for its witty, platonic banter.) *Pulp Fiction* is similarly unlikely to win rave reviews from viewers squeamish about on-screen violence even if every violent scene is excised. The problem in these examples is not that filtered films are necessarily less enjoyable than are unedited versions. Rather, the problem is

[25] Disney Enters., Inc. v. VidAngel, Inc., 869 F.3d 848, 861 (9th Cir. 2017) ("*Star Wars* is still *Star Wars*, even without Princess Leia's bikini scene."). Note that the Court mixed up its Star Wars flicks, as Leia never dons a bikini in the original *Star Wars* film. The famous such scene comes from *Return of the Jedi*.

that viewers might err, thinking that poorly-suited films can be sufficiently transformed by filters when, in fact, they cannot be.

A fourth explanation might be that Hollywood insiders doubt that the market for filtered films is large enough to warrant all the fuss. After all, how many viewers really want to watch *Deadpool* without the film's iconic bathroom humor,[26] or experience *Basic Instinct* without Sharon Stone's infamous seduction scenes? And will those viewers in the aggregate pay enough to warrant not only the costs summarized above, but also the costs associated with creating filtered versions, educating the public as to what is and is not included, and weathering the inevitable controversies when (say) a scene involving a same-sex kiss is categorized as either offensive or innocuous, and some segment of the public vehemently disagrees?[27]

The VidAngel data offer an unprecedented opportunity to evaluate these competing explanations. Specifically, on the question of market size, VidAngel's data show the extent to which approximately 300,000 subscribers filtered films over a twelve-month period, including details about how many audio and video segments were removed and the resulting impact on each film's audio and video presentation. On the question about movie quality, and likewise the possibility of movie/viewer mismatches, VidAngel's data quantify viewer satisfaction by showing how much of each movie each user actually watched. If viewers do not enjoy the films they filter, that displeasure should show up as a noticeable drop in movie viewing times. Lastly, on the issue of artistic integrity, the VidAngel data at a minimum help to quantify the extent of any potential affront. If viewer-selected changes are small in frequency and scope, for example, perhaps the threat to creative freedom is less than that which might be originally feared.

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[26] *But see*, or perhaps choose not to see, *Once Upon a Deadpool*, a PG-13 version of the R-rated film *Deadpool 2*. Chaim Gartenberg, *Deadpool 2 Returns to Theaters as PG-13 Christmas Film Once Upon a Deadpool*, THE VERGE (Nov. 5, 2018), https://www.theverge.com/2018/11/5/18065644/deadpool-2-once-upon-pg-13-christmas-film.

[27] Delta Airlines weathered such a controversy in 2016 when it chose to include as part of its inflight entertainment offerings an edited version of the film *Carol*, where the edits removed every intimate scene between the two female leads, including scenes that simply showed the two women kissing. Audiences objected, in part because of the perceived double standard being applied to homosexual, as opposed to heterosexual, intimacy. *See* Adam Lujan, *Carol: Controversy Erupts After Removal of Same-Sex Kissing Scenes on Delta Airlines Flights*, ENTERTAINMENT WEEKLY (Aug. 5, 2016), https://ew.com/article/2016/08/05/carol-same-sex-kiss-delta-airlines-flight.

III. VIDANGEL AND ITS DATA

As noted above, this Article is built on data gathered by VidAngel in the course of running its business during calendar year 2016. The data obviously began as confidential information owned and controlled by VidAngel. But, pursuant to an agreement negotiated in February 2017 and signed in March 2017, we were given unfettered access to the relevant databases and server logs, along with permission to use that data to produce academic papers on the topic of filtered films. VidAngel specifically agreed that we would be free to publish any information we derive from the data, no matter whether the implications are favorable or unfavorable to VidAngel's business, and we in exchange promised not to disclose the raw data publicly and not to disclose summary information that would plausibly help VidAngel's competitors reverse engineer the details of its system. Our work was approved by UCLA's Institutional Review Board in March 2017 on the ground that, while VidAngel's data capture information about real people, the data we received did not include any individually identifiable information, nor any information that would allow re-identification of individuals. We know VidAngel's customers only by the arbitrary numbers that VidAngel used internally to label each account.

We are confident that the data we were given is indeed VidAngel's genuine raw operating data, provided to us in good faith and in unedited form. Part of our confidence comes from our subjective judgment as to the credibility and intentions of VidAngel's founders and its general counsel. Part comes from the fact that most of the data came to us in the form of overwhelmingly large and complex JSON data files that were difficult to parse even using litigation-grade computational platforms and hence would have required a Herculean effort for a startup like VidAngel to falsify convincingly. And part of our confidence comes from the reality that VidAngel is currently involved in litigation that directly pertains to exactly these topics and hence the company is vulnerable to court processes that could at some point force it to share this same data with its adversaries. Disingenuous interactions with us would therefore buy the company very little; any misdeeds will inevitably come to light, undermining whatever benefit VidAngel might have expected to obtain from our work, and harming the company's credibility with us, the court, and the public.

Turn now to the specifics. Whenever a user streamed a movie using the VidAngel system, that user was presented with an interface through which he or she could choose specific audio snippets to mute and specific video snippets to cut. A sample of the information presented to users is shown as Figure 1, where this particular sample screen shows some of the filtering options available for the movie *13 Hours: The Secret Soldiers of Benghazi.*

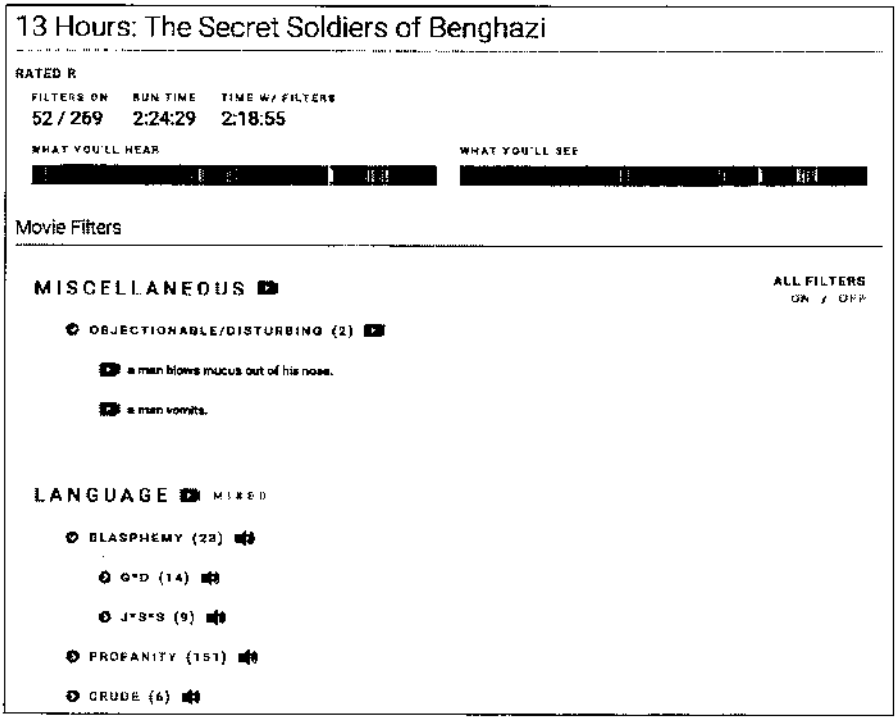

Figure 1. Sample VidAngel User Interface for 13 Hours

As the screenshot makes clear, users were given a great deal of information about which filters were available for each film. First, each filter was labelled with a word or phrase that described the underlying content and indicated whether the content was audio that could be muted or video that could be cut. In the sample screen, for instance, there are audio snippets labeled "G*D" and "J*S*S," and there are video snippets labelled with the phrases "a man blows mucus out of his nose" and "a man vomits." Second, each filter was presented as part of a hierarchy of categories and subcategories, and users could select filters either by clicking on those groupings as a whole or by choosing specific filters one by one. For *13 Hours*, available groupings ranged from broad combinations such as "all filters" or all "language," to narrower groupings such as "all language involving blasphemy" or any audio of the word "G*D." Third and finally, there was always a graphic representation at the top of the screen showing how much audio or video would be trimmed by the selected filters. Audio and video were represented in separate graphics, with vertical black bars showing the size of each snippet as well as its approximate location in the film.

VidAngel offered a comparable, flexible hierarchy for nearly every movie in its library. Figures 2a and 2b, for example, shows sample screenshots for two other popular films, *Back to the Future* and *The Big Short*, respectively. For these movies, too, users could choose to eliminate extremely broad categories of material like "sex/nudity/immodesty" or smaller groupings like "profanity," "kissing," and "sexual reference/ innuendo."

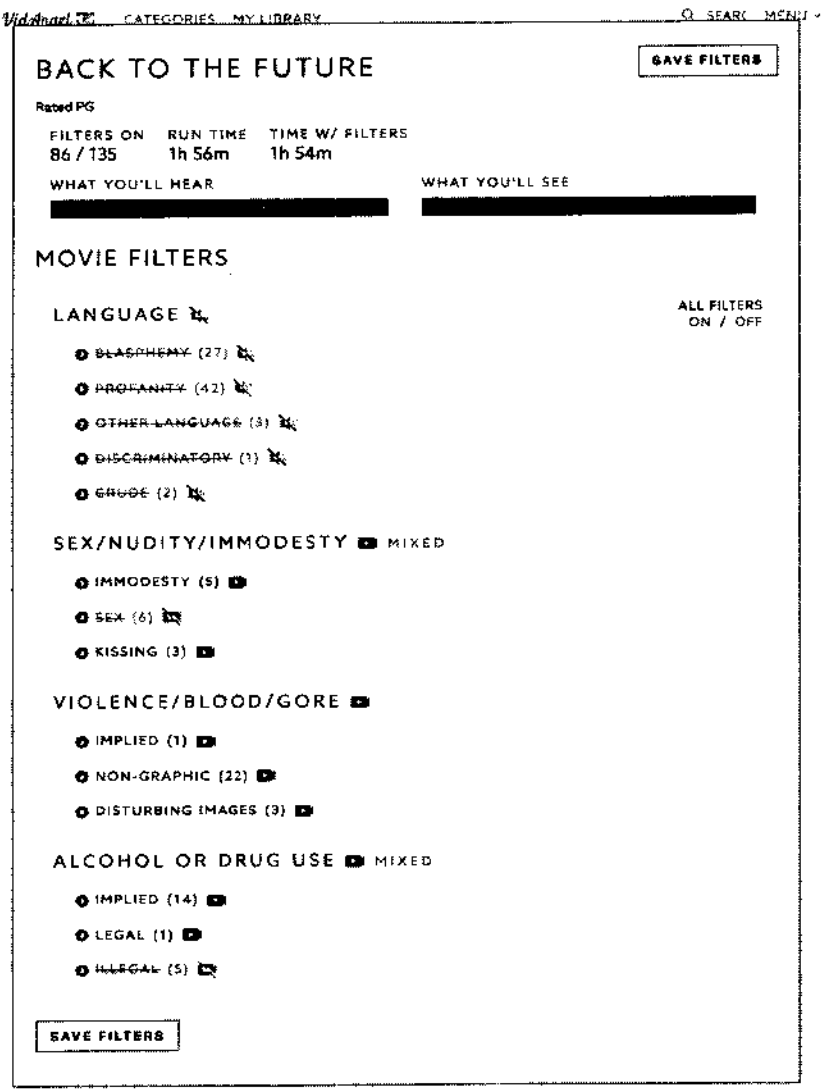

Figure 2a. Sample VidAngel User Interface for Back to the Future

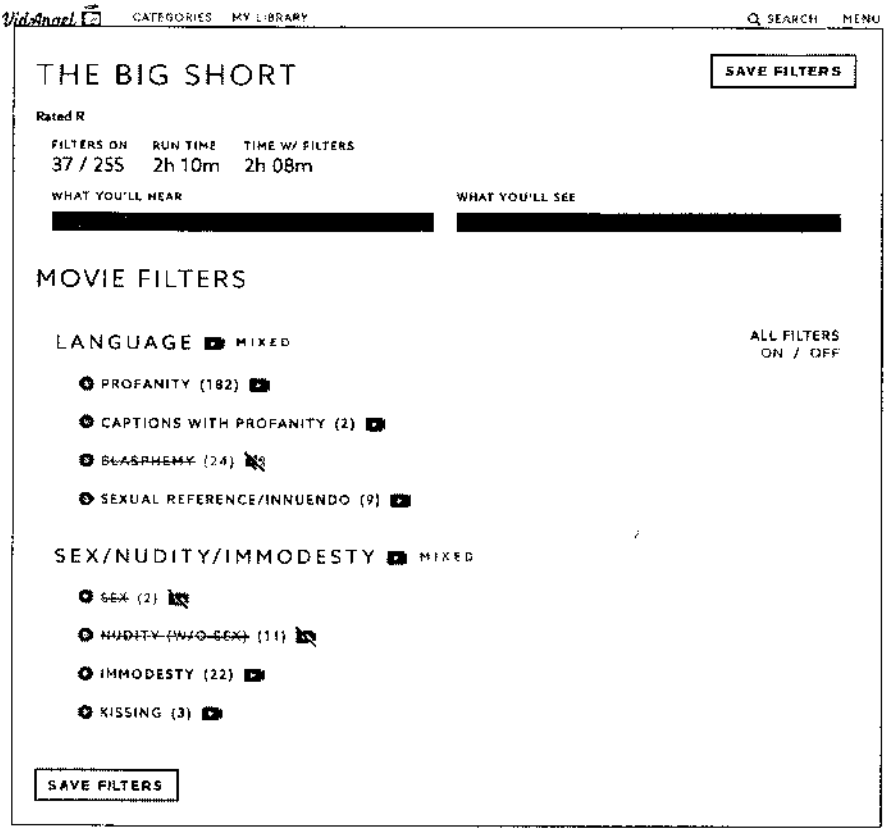

Figure 2b. Sample VidAngel User Interface for The Big Short

VidAngel provided us with nearly all the data used to generate these screen displays.[28] Specifically, for each filter, we were given a short description of the filter, such as "immodesty_male" or "racial_slurs"; identification of the movie to which the filter applied; information about whether the filter impacted audio, video, or both; and timing information sufficient to calculate how much audio or video was at stake. The resulting dataset allowed us to interpret user requests. For example, in any instance where we knew the movie being streamed and the filters selected, we could use this data to understand exactly what content was targeted

[28] The only data we lacked was information sufficient to know exactly where within each movie each filter applied. So, while we knew which filters were applicable to which films, and how many seconds of content were at stake each time, we could not ourselves fully recreate the graphics showing "what you'll hear" and "what you'll see." *See infra* note 37 for further discussion of this missing data and its implications.

and how much the film's resulting audio and video presentation would change.

Figure 3 offers a snapshot summary of this filter data. Along the horizontal access, we track the number of individual audio and video filters available for each movie; on the vertical access, we count the number of movies in the dataset for which that number of filters was available. Thus, for example, because users watching *Back to the Future* could choose from among 135 filters, that film is one of the roughly 400 films counted in the fourth bar from the left. Users watching *The Big Short* were able to choose from among 255 filters, making that movie one of the roughly 230 films counted in the ninth bar from the left. In the aggregate, for the 2,767 movies that VidAngel offered in 2016, users could choose from among 477,736 individual filters.

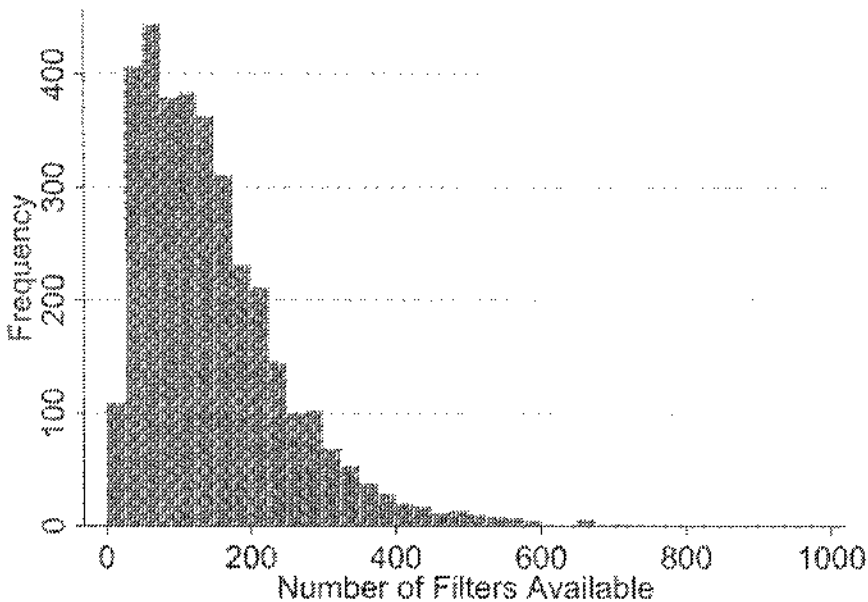

Figure 3. Number of Filters Available Per Movie

The above discussion focuses on VidAngel's data about movies. But VidAngel also provided us with a database that logged every streaming request the company received in 2016. Users in this data were represented by numbers, not names, and thus each entry in the database included a customer number, a movie identifier, a list of the movie-specific filters selected by that user prior to the start of the relevant stream, and a number indicating the total expected runtime of the resulting filtered film. VidAngel also included a "lineup id" that could be used to match the

above information to specific data packets sent or received by VidAngel's servers. A sample data entry along these lines is shown in Figure 4. In this particular lineup, a viewer was watching *Batman v Superman* and chose to filter one instance of a man kissing another man and one use of the word "f*ck." The resulting film had an expected runtime of 10,953 seconds, which is roughly thirty seconds shorter than the published runtime associated with the unedited film.

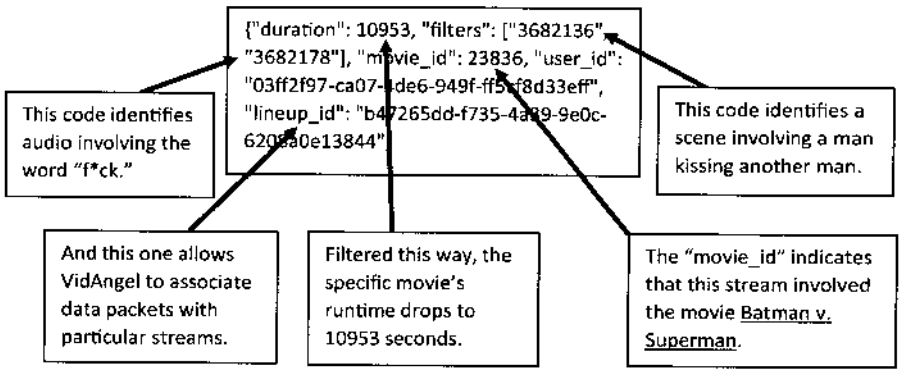

Figure 4. VidAngel Streaming Data Sample

Our work required yet one more type of data, namely VidAngel's complete server logs for the year 2016. Whenever VidAngel streamed a movie, its server would request and then endeavor to log minute-by-minute confirmation that specific movie snippets were successfully received by specific users. Each entry included a variety of information, but we focused on six items. Three were simply labels: the movie identification number for the movie being streamed, a user identification number for the customer account at issue, and the lineup ID that allowed us to link log entries to the above-described filter data. The fourth item was a timestamp that showed, down to the fraction of a second, the time and date each log entry was made. The fifth item was a "location" variable that reported exactly where in the movie a given transmission fit. Location data was measured in seconds, such that the tenth minute of a film would be reported as position 600, whereas the thirteenth minute would be reported as position 780. Lastly, the sixth item was a "runtime" variable that showed how long the filtered film would run if the user were to watch the entire edited film. A sample server log excerpt is shown in Figure 5.

lineup	work_id	location	user_id	created	run time
0027d4a0-f72c-4928-afab-4750ab1cd16f	20802	1066	1ecca336-92ea-4f18-b	2016-12-26T21:42:19.649664	8669
0027d4a0-f72c-4928-afab-4750ab1cd16f	20802	1126	1ecca336-92ea-4f18-b	2016-12-26T21:43:19.561599	8669
0027d4a0-f72c-4928-afab-4750ab1cd16f	20802	1186	1ecca336-92ea-4f18-b	2016-12-26T21:44:19.441274	8669
0027d4a0-f72c-4928-afab-4750ab1cd16f	20802	1246	1ecca336-92ea-4f18-b	2016-12-26T21:45:19.805650	8669
0027d4a0-f72c-4928-afab-4750ab1cd16f	20802	1306	1ecca336-92ea-4f18-b	2016-12-26T21:46:19.519907	8669
0027d4a0-f72c-4928-afab-4750ab1cd16f	20802	1366	1ecca336-92ea-4f18-b	2016-12-26T21:47:19.802936	8669
0027d4a0-f72c-4928-afab-4750ab1cd16f	20802	1426	1ecca336-92ea-4f18-b	2016-12-26T21:48:19.471114	8669
0027d4a0-f72c-4928-afab-4750ab1cd16f	20802	1486	1ecca336-92ea-4f18-b	2016-12-26T21:49:19.597822	8669
0027d4a0-f72c-4928-afab-4750ab1cd16f	20802	1546	1ecca336-92ea-4f18-b	2016-12-26T21:50:19.439551	8669
0027d4a0-f72c-4928-afab-4750ab1cd16f	20802	1606	1ecca336-92ea-4f18-b	2016-12-26T21:51:19.514523	8669

Figure 5. VidAngel Server Log Sample

The server log was, by far, the most challenging and imperfect data VidAngel provided. The idea behind the log was straightforward: whenever VidAngel streamed a movie to a user, the user's computer was supposed to send minute-by-minute confirmations back to VidAngel's servers, acknowledging that a specific part of a specific movie was successfully received. The reality of the log, however, was that a significant percentage of the expected minute-by-minute confirmations turned out to be missing. Missing confirmations in theory could mean that significant portions of many movies did not in fact reach the relevant users. That said, because users presumably would have abandoned VidAngel had its systems actually failed to deliver movie minutes that frequently, we believe that a better explanation is some combination of (a) user equipment failing to generate confirmations at the desired pace; (b) confirmations being lost while traveling from user equipment to VidAngel; and (c) confirmations arriving at VidAngel's servers but then not being recorded because VidAngel's servers were at the relevant time overwhelmed with other, higher-priority processes and activities.

The server logs were important to our work because they alone told us how much of any given stream was watched. Had the server logs been complete, that would have been easy information to extract. Because they were imperfect, however, we instead estimated viewing time by implementing three distinct measurement strategies and then, for each stream, adopting the shortest of the three results. Our first strategy estimated the amount of time each user spent watching his or her personalized stream by subtracting the timestamp associated with the first logged transmission from the timestamp associated with the final logged transmission. Our second strategy subtracted the minimum movie "location" listed for that stream from the maximum "location" listed for that stream. Our third estimation strategy counted the number of log entries associated with each

specific stream and treated each log entry as representing one minute of viewership.

Different types of errors and behaviors impacted these various measures differently. A user who fast-forwarded through some portion of a film, for example, inadvertently padded our estimate based on the difference between the smallest and largest "location" transmitted, but that user did not corrupt our measurement based on timestamps and barely affected our measurement based on the number of log entries received. A user who paused a film to grab a snack or use the restroom, by contrast, inadvertently increased our estimate based on timestamps and inadvertently increased our estimate based on the number of entries in the log, but did not in that way affect our estimate based on location. Thus, by choosing the shortest of these three measures, we adopted what we believe to be a conservative and yet relatively accurate estimate of the time each user spent watching each stream. Moreover, because we applied this same strategy to every stream under review, our work comparing users who watched largely unedited films to users who watched heavily edited films was further insulated from this unavoidable data challenge.[29]

Figure 6 shows the viewing length estimates generated by this process. There are two charts. In one, the horizontal axis reports our estimate of the minutes a viewer spent watching each stream, and the vertical axis shows the number of streams for which viewers invested that amount of time. In the other, we report the same information but, instead of counting minutes, we report time as a percentage of the relevant stream's full runtime. Note that the length of an edited film might be slightly smaller than the full length of the corresponding original because, obviously, video cuts make films shorter.

[29] A small number of our estimates struck us as implausible even after we implemented the above strategy, specifically because they suggested viewing times greater than the length of the relevant edited films. For those, if we could determine the source of the problem, we made the correction. If not, we excluded the data. We ultimately corrected obvious errors in the data associated with roughly 1% of all streams, and we discarded approximately 2,500 streams that we could not reliably interpret. An example of a typical problem: VidAngel's computers sometimes put an error code in the "location" field, and thus an error during transmission could inadvertently pad our timestamp data (by delaying the film), our count of log entries (because errors were logged), and our location measure (because the error code was sometimes a very large number).

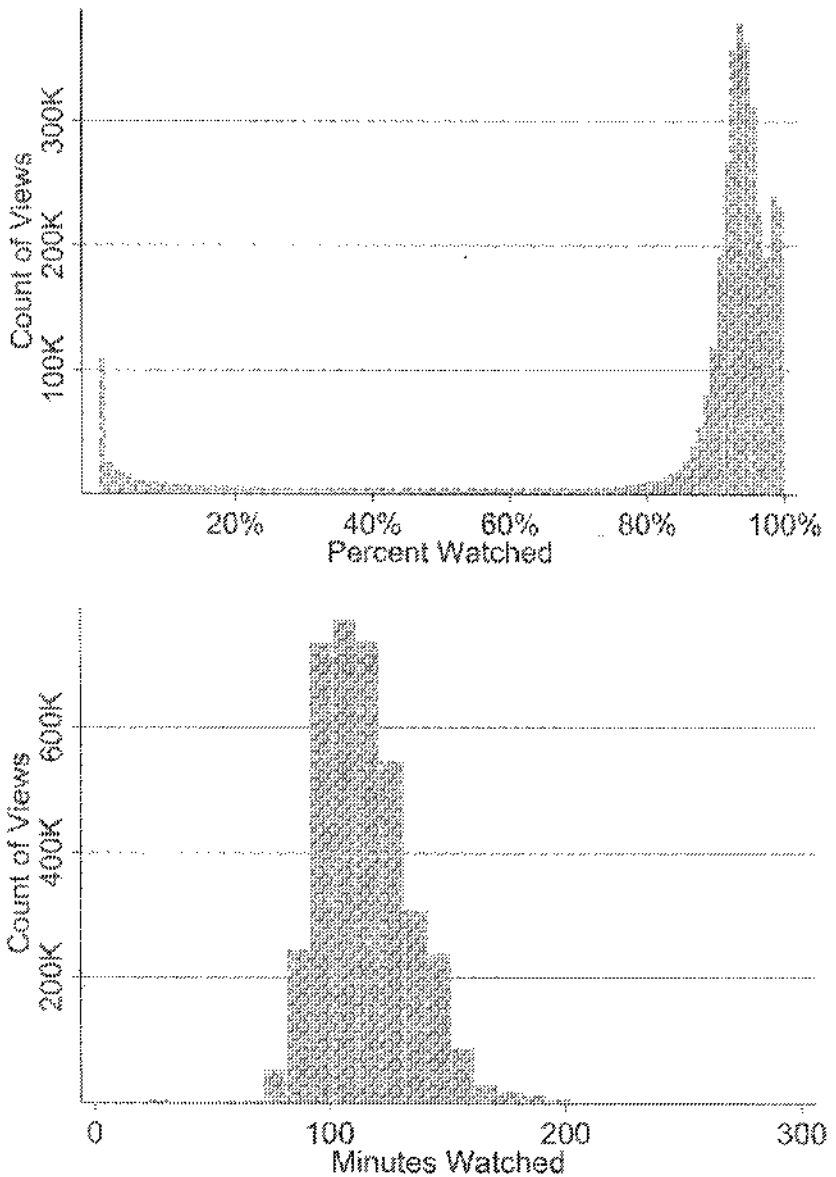

Figure 6. Percent Watched and Minutes Watched Per View

In the analysis that follows, we exclude streams that lasted ten minutes or less. Those streams appear on the far left side of the first chart shown in Figure 6. We did this because our review of the data suggested that many short streams were either (a) system tests in which a user

seemed to have been playing with the system but not actually trying to watch a coherent sequence from a film or (b) system failures where the log primarily consists of error codes relevant to failed transmissions rather than data about actual movie viewing. We used all streams that lasted more than ten minutes, however, because some users presumably requested a filtered movie, started to watch, disliked the film, and stopped watching after a short time. The dataset we used for our analysis thus included just over 3.8 million streams. Had we used every available stream, the number instead would have been 4.1 million.

IV. DEMAND FOR FILTERED FILMS

The VidAngel data offer insight into a variety of questions, but the conversation most naturally starts with the question of whether there actually exists a significant market for filtered films. That is, as evidenced by the VidAngel data, do a substantial number of consumers truly prefer to watch filtered versions of Hollywood films rather than unedited originals? If so, an interesting puzzle is framed, because Hollywood stakeholders have for the last twenty years been leaving that money on the table by neither themselves serving those customers nor allowing others to do so.

VidAngel's data help answer this question because VidAngel's customers were asked to pay the same fee regardless of whether they chose to filter a little, a lot, or possibly not at all. That is, although VidAngel encouraged its customers to meaningfully filter the films they streamed[30] and required users to activate at least one filter in order to stream a film,[31] as a practical matter, users were not obligated to filter films aggressively. Indeed, this is presumably one of the reasons that several studios sued VidAngel. Because VidAngel's service was not licensed by the studios,

[30] Throughout 2016, any time a user tried to stream a movie without selecting any filters, VidAngel would notify the user that filtering was not optional and suggest that, if the user wanted to watch unfiltered fare, the user should instead use another streaming service. VidAngel would then provide links to traditional streaming services, including those offered by Amazon and Apple.

[31] From January through May 2016, VidAngel required users to select at least one filter before they would be allowed to stream a film. VidAngel deemed this requirement satisfied by any filter, however, including a handful of filters that arguably were not focused on objectionable content. For example, a user could satisfy this requirement by selecting a filter that blocked the opening credits in a movie or could satisfy this requirement by selecting a filter that blocked the relevant studio's logo. On June 9, 2016, VidAngel adopted a more stringent policy, thereafter requiring users to select at least one filter targeting specific objectionable content. Users could then filter other things as well, but at a minimum they had to filter at least one substantive element. As we explain *infra* footnote 35 and accompanying text, in our work we took an even more conservative approach, excluding from consideration any filter that did not obviously and exclusively target objectionable content.

VidAngel was able to offer a streaming service that was in some respects better than the streaming services offered by licensed firms such as Netflix and Amazon, even from the perspective of customers who had no interest in filtering. For example, because VidAngel was not paying per-stream fees to the studios, VidAngel was able to offer standard-definition streams at a below-market rate of $1 per stream.[32] Moreover, because VidAngel would stream any film as long as that film was available for purchase at retail in DVD form, VidAngel streamed at least some films that were not at the relevant time available to rent via licensed streaming platforms.[33] Again, these distinctions understandably drew studio ire; VidAngel justified its service by pointing to its high-minded social purpose but then implemented its technology in a way that gave it several advantages that had nothing to do with filtering. But, from the perspective of our study, these are features, not bugs. If a substantial number of VidAngel users chose to meaningfully filter films even though there were obvious reasons to instead use the service to watch largely unedited films, that would be compelling evidence that there really does exist a meaningful market for filtered Hollywood fare.

To explore this issue, we first amassed descriptive statistics about user choices. In one cut, we calculated for every movie the median number of filters selected by users who streamed it. In another, we looked at the number of streams where the relevant user selected zero filters, one filter, two filters, and so on, up through streams where the relevant user selected more than 200 filters. Both approaches were designed to show the degree to which VidAngel's users took advantage of the filtering options that VidAngel offered. Users who chose the service simply to stream a movie inexpensively, or simply to access a movie that was not conveniently available elsewhere, would presumably have chosen as few filters as possible. Yet, as we show in greater detail below, in 76.5% of the streams, users chose more than just the one filter that VidAngel required. And, in roughly half the streams, users chose not just one filter, but more than ten.

Figures 7(a) through 7(c) tell the story more fully. In Figure 7(a), we report the median number of filters applied to each of the 30 most-streamed movies in our dataset. There is substantial variation, consistent

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[32] *See* Complaint for Copyright Infringement and Violation of Digital Millennium Copyright Act ¶ 4, Disney Enters., Inc. et al. v. VidAngel, Inc., No. 2:16-cv-04109 (C.D. Cal. June 9, 2016) ("[B]y cutting out payments to copyright owners, VidAngel is able to offer prices that undercut licensed services and charge only $1 for daily access to movies in standard definition format").

[33] *Id.* ¶ 5 ("[B]ecause VidAngel absolves itself of having to abide by contractual restrictions, VidAngel offers content that is not available on licensed VOD services . . . [and then] flaunts this unfair competitive advantage by expressly promoting a selection of titles that are available on VidAngel but 'Not Available on Netflix'").

with the idea that users were intentionally filtering those movies. Figure 7(b) shows comparable information for all 2,767 movies VidAngel streamed in 2016. The horizonal axis counts the number of filters selected per stream, and the vertical axis counts the number of streams to which that count applied. Again, there is substantial variation. The final panel, Figure 7(c), summarizes that same data but in tabular form. Each row is phrased in a "more than" formulation in order to highlight that the filtering shown in the table is filtering above and beyond VidAngel's minimum filtering requirements. That is, because VidAngel required users to select one filter as a prerequisite to streaming any film, we framed Figure 7(c) to focus on the number of filters chosen in addition to that first filter.

Most Viewed Movies	Viewings	Median Filters
Zootopia	46,628	4
Captain America: Civil War	41,690	24
Batman v. Superman: Dawn of Justice	38,758	17
Finding Dory	36,849	2
Now You See Me 2	36,849	23
The Jungle Book	36,572	1
The Legend of Tarzan	35,405	9
The Secret Life of Pets	34,111	6
Star Trek Beyond	33,483	11
Central Intelligence	32,414	77
Jason Bourne	32,391	13
Ghostbusters	30,806	28
X-Men: Apocalypse	29,624	10
The Revenant	29,526	83
Star Wars: The Force Awakens	28,842	2
Independence Day: Resurgence	27,736	21
Me Before You	27,173	20
Deadpool	26,819	151
Allegiant	26,404	8
Bridge of Spies	25,649	19
The Good Dinosaur	23,982	1
The Intern	23,190	33
The Angry Birds Movie	23,162	10
Pete's Dragon	22,884	5
Ice Age: Collision Course	22,601	2
Free State of Jones	21,938	11
Miracles from Heaven	21,344	5
The Martian	21,136	30
The BFG	21,019	2
The Huntsman: Winter's War	19,465	9

Figure 7a. Median Number of Filters by Movie

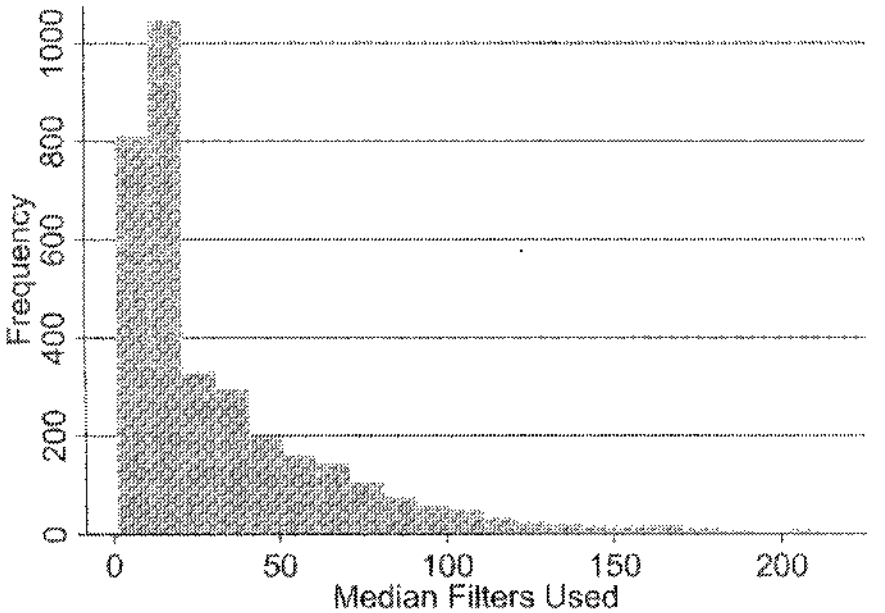

Figure 7b. Graphical Distribution of Filter Usage

Number of Filters	Views	Percent
More than 1	2,961,523	76.50%
More than 2	2,667,056	69.90%
More than 5	2,337,429	61.30%
More than 10	2,031,072	53.20%
More than 15	1,804,308	47.30%
More than 20	1,614,846	42.30%
More than 30	1,305,536	34.20%
More than 40	1,076,731	28.20%
More than 50	889,995	23.30%
More than 100	380,341	10.00%
More than 200	105,262	2.80%

Figure 7c. Numerical Distribution of Filter Usage

Variation was also apparent when we organized the above data not by movie but instead by user account. For example, out of the roughly 196,000 accounts that were used to stream five or more films in 2016, just over 96,400 triggered at least 100 filters for at least one viewing but fewer than 10 filters for at least one other viewing. That is, roughly half of VidAngel's moderately active accounts exemplified a Jekyll-and-Hyde

pattern when it came to their filtering decisions, sometimes aggressively cutting and muting the films they streamed and sometimes leaving the films largely intact. Some of this variation is likely explained by the above-documented variation between movies. That is, a specific VidAngel user likely filtered differently depending on whether he or she was watching *Me Before You* or *Pete's Dragon*. And some is likely attributable to the fact that user accounts were presumably shared to some degree, for example with Mom and Dad watching some movies alone but watching other movies alongside Junior and maybe Grandmother.[34]

Note that, in all of these counts, we have excluded a handful of filters that VidAngel made available to its customers, and customers in fact triggered, but we thought inappropriate for our project. Some of these were filters that eliminated the character "Jar Jar Binks" from a relevant *Star Wars* film. VidAngel users might well have valued those filters (weesa woulda) but we excluded them from our data because personalization of that sort struck us as importantly different from personalization driven by concerns about potentially offensive language, sex, violence, and the like. The rest of the excluded filters blocked a film's opening credits, closing credits, or the video shorts that might otherwise have run before or after the main movie. As VidAngel's executive team reminded us, there are substantive reasons to excise these portions of a film, in that credits and shorts do sometimes contain objectionable material. We excluded these filters anyway, however, because we could not tell whether particular users triggered them for substantive reasons or, instead, simply to skip content that viewers in general might similarly prefer not to watch. Excluded filters were not only excluded from the above-reported measures but also from all the substantive analysis that follows, except where explicitly noted.[35]

The preceding discussion is focused on filter counts, but another way to evaluate user behavior is to look at filter impact as measured in minutes and seconds. To do this, we needed to first establish a baseline against

[34] Interestingly, although VidAngel allowed users to stream films as long as at least one filter was triggered, out of the 196,400 accounts that were used five or more times in 2016, only 2.2% consistently opted to filter at only that required, bare-bones level. The remaining 97.8% of the accounts voluntarily used more than one filter at least once during the course of the year.

[35] One implication is that Figure 7(c) understates the degree to which users in fact chose to filter. Consider, for example, a user who in February 2016 streamed a film using two filters: a substantive filter that blocked the word "shit" and a filter that cut the film's opening credits. In reality, this user chose to filter at a level greater than the then-relevant minimum because VidAngel would at that time have deemed it sufficient to simply cut the movie's credits. Yet this stream is not included in any of the tallies in Figure 7(c) because, in light of our exclusion rule, we would count this as a stream with only one filter triggered.

which to compare specific streams. Should we expect that a user truly interested in filtering offensive audio would mute 1% of the average PG-13 film? More? Less? And what about video? Should we expect video filters to have a greater impact on a stream because controversial audio tends to be of short duration whereas a violent movie scene can plausibly last several minutes? Or should we expect video filters to have less impact, for instance because users might be reluctant to significantly interrupt a movie's visual presentation or might self-select away from movies they would otherwise need to cut substantially?

Our approach to these questions was to assume that, for each movie streamed in 2016, there was at least one user who used VidAngel to aggressively filter the film's audio and at least one (possibly different) user who used VidAngel to aggressively filter the film's video. For each film, we thus separately identified the streams with the greatest amount of muted audio and greatest amount of cut video and used them as baselines for how much audio and video would be cut by a particularly cautious viewer of that specific film. We then developed two additional baselines by repeating those calculations but focusing not on the streams with the highest rates of exclusion but on the streams at the 95th and 90th percentiles.[36]

For example, *Ghostbusters* was streamed 30,303 times in 2016. The stream with the highest amount of muted audio quieted 2.2% of the sound originally present in the film. The stream at the 95th percentile muted 2.1%, and the stream at the 90th percentile muted 1.6%. With respect to video, meanwhile, the *Ghostbusters* stream with the highest amount of excised video cut 10.8% of the original film, and the streams at the 95th and 90th percentiles cut 4.5% and 3.7%, respectively. Figure 8 captures these numbers in a table and also shows comparable measurements for three other popular movies, *The Revenant*, *X-Men: Apocalypse*, and *Central Intelligence*. Note that, while some of these percentages might seem small, small percentages are still meaningful. Even an R-rated movie with a lot of potentially offensive language in fact dedicates only a small percentage of its total runtime to troubling words. Similarly, a PG-13 movie with po-

[36] An alternative approach would have been to use as a baseline the maximum amount of content that VidAngel allowed a user to filter for each specific movie. We shied away from this approach because it depends so heavily on choices made by VidAngel and its team. For example, if VidAngel chose to list as potentially offensive a large number of audio segments that in fact turned out to trouble none of its customers, our actual baselines would not be affected but this alternative baseline would have been. Note that VidAngel's choices do nevertheless impact our baselines in part, because a cautious viewer could filter at most only what VidAngel thought to offer. That said, because VidAngel offered so many filters for every movie, and because VidAngel was trying to entice cautious viewers to use its service, we doubt that this was much of a constraint.

tentially problematic physical intimacy is nevertheless typically overwhelmingly comprised of uncontroversial visuals.

	Audio			Video		
	Max	**95th**	**90th**	**Max**	**95th**	**90th**
Central Intelligence	6.59%	6.46%	5.42%	15.20%	11.30%	10.03%
Ghostbusters	2.22%	2.11%	1.58%	10.84%	4.52%	3.70%
The Revenant	1.21%	1.21%	1.17%	16.39%	10.55%	6.87%
X-Men: Apocalypse	0.77%	0.77%	0.41%	24.16%	8.43%	5.20%

Figure 8. Audio and Video Filtering Baselines

Using these baselines, we can now characterize the demand for filtered films. Consider an example using only *Ghostbusters* and, at that, focusing first only on audio. Figure 8 shows that the most cautious user who used VidAngel to watch *Ghostbusters* cut 2.22% of its audio. One way to represent demand, then, is to ask how many other users who watched *Ghostbusters* filtered (say) 90% as much audio as this extremely cautious user, 75% as much audio as this extremely cautious user, and 50% as much audio as this extremely cautious user. We can then ask that same question again but, instead of using the most extreme user as the baseline, we can use the users at the 95th or 90th percentiles. Then we can repeat all nine calculations but using the percentages applicable to video instead of audio. Figure 9 captures those results, again focused only on *Ghostbusters*. The table reports, for example, that 8.78% of all users filtered at least 75% as much audio as did the user whose audio filtering decisions put that user at the 95th percentile overall.

	Audio			Video		
	90%	**75%**	**50%**	**90%**	**75%**	**50%**
Maximum	5.35%	6.76%	18.68%	0.44%	0.50%	2.69%
95th Percentile	5.56%	8.78%	26.50%	7.22%	13.08%	26.50%
90th Percentile	12.17%	16.77%	35.39%	13.51%	19.60%	35.10%

Figure 9. Audio and Video Filtering in Ghostbusters

Now we can expand this analysis to the full data set. In Figure 10, we report the same type of information as shown in Figure 9, except that the new figure summarizes this information for every movie in our dataset, not just for *Ghostbusters*. The data shown in Figure 10 are therefore averages, and specifically they are weighted averages calculated by giving each movie a weight based on the number of times it was streamed in 2016. Thus, for example, because *Ghostbusters* was streamed 30,303 times in 2016, its max audio percentage was given correspondingly more weight

than was the max audio percentage associated with *The Huntsman: Winter's War*, which was viewed just 19,465 times. (The same basic trends and numbers result from even a straight average, but in our view a weighted average is a more appropriate representation of the level of filtering experienced by viewers.)

	Audio			Video		
	90%	75%	50%	90%	75%	50%
Maximum	17.36%	24.30%	34.95%	1.52%	3.35%	9.55%
95th Percentile	18.65%	25.68%	37.15%	7.99%	12.44%	22.88%
90th Percentile	21.58%	29.00%	41.34%	13.93%	19.39%	30.99%

Figure 10. Overall Demand for Audio and Video Filtering

These percentages reflect what we interpret to be a substantial demand for both audio and video filtering across a broad range of Hollywood films. Focusing, for example, on the third row and third column in each chart, we see that in roughly 40% of the streams users voluntarily filtered at least half as much audio content as did the more cautious viewer whose filtering decisions put that user at the 90th percentile for audio, and in roughly 30% of the streams users voluntarily filtered half as much video content as did the more cautious viewer whose filtering decisions put that user at the 90th percentile for video. Depending on the baseline chosen, the various percentages move up or down. And different counting decisions would similarly cause modest fluctuations in nearly every number.[37] But, in our view, these numbers powerfully reject the

[37] For example, as noted *supra* note 28, the data to which we had access did not include information about the exact location within each movie where each filter applied. VidAngel understandably viewed that information as proprietary because, with that data, anyone could fully reverse-engineer VidAngel's movie database. So, while we would know that a given filter muted 1.5 seconds of audio in a specific film, we would not know exactly which 1.5 seconds were quieted. Because of that limitation, we could not account in our estimates for the possibility that two filters might both remove the same portion of a film and that, hence, counting both filters would inadvertently double-count their impact. Were we able to account for this issue, nearly every number in Figure 10 would change, although likely only modestly. Specifically, the baseline estimates would drop because the likelihood of overlap increases as the number of chosen filters increases, and those high-end baselines are therefore the most vulnerable to accidental overstatement. The reported percentages would as a result then also increase, however, because, while all of our estimates would drop, the drops would be more significant for the high-filtering baselines than for the lower-filtering data. The entire effect would likely be small, however, for two reasons. First, we report results for audio and video separately, thereby eliminating what is likely the most common type of overlap. Second, overlap seems unlikely for most streams in our dataset, given the relatively modest number of filters triggered in each stream.

hypothesis that VidAngel customers were using the system solely because the movies were cheap and accessible, and powerfully support the contention that there exists a substantial market for filtered films.

V. WHAT USERS CHOOSE TO FILTER

The prior section characterized the market for filtered films by looking at the degree to which VidAngel users activated filters while streaming movies in 2016. This section uses the VidAngel data for a slightly different purpose: to understand the types of audio and video content that users chose to mute and excise.

At a high level, VidAngel users apparently filtered the same sorts of materials that the MPAA looks at in deciding whether to rate movies as G, PG, PG-13 or R. The MPAA does not make public the exact list of considerations upon which it relies, and the criteria are notoriously of the "I know it when I see it" variety regardless.[38] But, when we looked for correlations between each film's MPAA rating and the extent to which users filtered that film, we found that the intuitive patterns held. Roughly speaking, the more restrictive the MPAA rating, the more content VidAngel's users filtered.

Consider in this light Figure 11. To generate the figure, we took the data about user streams, sorted by movie, and then calculated two averages: the average percentage of audio muted in that movie, and the average percentage of video cut. We then grouped movies based on their MPAA rating and calculated averages within each rating category. As with earlier calculations, for this step we again used a weighted average, giving more-watched movies appropriately greater weight in the aggregate statistics. The result was an unsurprising alignment between increased MPAA ratings and increased user-driven filtering.

[38] *See* THIS FILM IS NOT YET RATED (Independent Film Channel 2006) (a documentary about the MPAA rating system); *This Editorial Is Not Yet Rated*, LOS ANGELES TIMES (Oct. 14, 2006), https://www.latimes.com/archives/la-xpm-2006-oct-14-ed-ratings14-story.html (inspired by that documentary, describing and criticizing the MPAA rating system); Kirby Dick, *Rated R for Ridiculous*, LOS ANGELES TIMES (Jan. 24, 2007) (same); Steven Zeitchik & John Horn, *More MPAA Film Ratings Appealed*, LOS ANGELES TIMES (Mar. 23, 2012), https://www.latimes.com/entertainment/la-xpm-2012-mar-23-la-et-ratings-appeals-20120323-story.html (same).

	Audio	Video
G	0.09%	0.65%
PG	0.19%	0.88%
PG-13	0.38%	1.33%
R	1.12%	2.81%

Figure 11. Audio and Video Filtering by MPAA Rating

The trend here does call into question an interesting counter-hypothesis: namely, that the amount of material filtered would not increase with increases in MPAA ratings because users who watch movies with more restrictive ratings are also more willing to experience language and/or watch intimate and violent content. Put differently, an increase in the MPAA rating associated with a given stream has two plausible implications. First, the more restrictive the rating, the more potentially objectionable content likely present in the stream originally. This would lead to greater amounts of filtering, all else held equal. Second, viewers who choose to watch movies that have more restrictive ratings might have a higher tolerance for potentially uncomfortable content. That would lead to decreased filtering, all else held equal. Figure 10 suggests that the first consideration dominates, as it would if (for example) filtering is primarily used to remove certain types of content that a given viewer finds objectionable regardless of the movie in which it appears.[39]

Another way to understand what VidAngel users filtered is to count the number of times each filter was selected for use. To do that, we first took the list of every stream triggered by a user in 2016 and again elimi-

[39] To disentangle these competing considerations, we pulled statistics for the potentially offensive word "shit" across all our data. For PG streams, the word "shit" turned out to be used on average 1.35 times per stream; and, when users were offered the chance to mute those utterances, they chose to do so 72.7% of the time. The word "shit" was used much more often in PG-13 streams, averaging 5.91 exclamations per stream. To hold constant the number of times "shit" was muted, then, viewers of PG-13 streams would have needed to be significantly more comfortable with that word, muting only 16.6% of the larger number. We found, however, that viewers in fact muted 51.1% of those utterances. The same pattern repeated as we moved from PG-13 to R. Streams of R movies on average include 18.54 utterances of "shit" per stream. To hold constant the number of mutings as between PG-13 and R films, viewers of R films would have needed to be so tolerant that they would have filtered only 16.3% of the larger number. In fact, viewers of R films chose to mute the word "shit" 42.2% of the time. Thus, while viewers are more tolerant of the word as we move from PG (72.7%) to PG-13 (51.1%) to R (42.6%), that increased tolerance is drowned out by the significantly more pronounced increase in the use of the word, which rose from 1.35 (PG), to 5.91 (PG-13), to 18.54 (R). Similar trends are seen for other content, including the words "God," "Jesus," and "f*ck."

nated those that the requesting user watched for ten minutes or less. As explained previously, we eliminated these short streams because our review of the data suggested that many of these streams represented situations where a user was testing the system, rather than actually watching a movie, and hence that user's selections might not accurately reflect his or her content preferences. Using the roughly 3.8 million streams that remained, we next counted the number of times each filter was selected by a user, focusing on VidAngel's internal label for the category (e.g., "audio, damn"; "video, blowjob") rather than the longer textual descriptions (such as "man touches woman inappropriately"). We focused on the labels because the textual descriptions are often movie-specific and hence not amenable to summation, whereas category labels tended to repeat across movies.

Totals for all eighty-five available labels are shown in Figures 12(a) and 12(b), with audio filters listed in Figure 12(a), video filters listed in Figure 12(b), and each list sorted by magnitude. Note that this list includes filters, such as the "Jar Jar Binks" filters and the various credits filters, that we did not otherwise use in our analysis. We report them here for completeness, but we excluded them elsewhere because they do not necessarily target violence, language, sex or other classically objectionable content. Typographical mistakes in this list are intentional. In VidAngel's internal data, for example, the spoken word "nigger" was intentionally misspelled as "niger," apparently in an effort to be sensitive to how that word might be perceived by VidAngel's own internal team. Finally, in addition to reporting the number of times each filter was triggered, we also report a percentage that represents how that number compares to the maximum number of times the filter could have been triggered had users selected it every time it was offered to them. For example, the audio filter "shit" was offered to viewers as a possible filter 27,745,832 times in 2016 and was selected 13,781,850 times; we thus report for "shit" a selection percentage of 45%.

As the figure shows, audio filters were triggered much more often than video filters, with each of the three most popular audio filters being triggered more than twice as often as was the most popular video filter. The audio filter targeting the word "f*ck" tops the audio list in terms of the absolute number of times it was chosen (roughly 26 million), but, interestingly, users were most likely to mute the words "Christ" and "dink" if they were uttered in a film. Specifically, "Christ" was muted 69% of the times it was uttered, and "dink" was muted 68% of the time. Of the more common words used in films, however, "f*ck" was the most often filtered (60%), with "Jesus" (53%) and "God" (43%) close behind.

On the video side, meanwhile, users most often cut scenes involving female immodesty (roughly 7 million cuts) but viewers most consistently

cut scenes involving nudity (57%), sexual climax (52%), and nonconsensual sex (44%). Filters related to violence, by contrast, were rarely selected. The filter for "violent images" was selected only 8% of the times it was offered, for example, and the filters for "graphic" violence and "nongraphic" violence similarly clocked in at just 10% and 4%, respectively. When scenes were specifically labeled by gender, viewers reacted to male and female nudity at comparable rates, with the men being cut 35% of the time and the women 32%. Interestingly, scenes labelled as involving homosexual activity were in the aggregate slightly less controversial than male and female nudity, with "kissing_homo_normal" being cut 23% of the time and "kissing_homo_passion" being filtered at a rate of 28%. Obviously, however, these numbers do not account for the possibility that viewers uncomfortable with homosexual activity simply avoided the relevant films entirely.[40]

[40] Although we do not discuss it in the text, it is jarring to see how much potentially inappropriate content is incorporated into the average Hollywood film. For example, in the 2,914 movies in the VidAngel movie database, the word "shit" is uttered 24,783 times, which means that there are 8.5 such utterances per film on average, a number that breaks down to 18.54 per R-rated film, 5.91 per PG-13 film, 1.35 per PG film, and 0.05 per G-rated film. Scenes that incorporate graphic violence number 31,238 overall in the data. That's 10.72 per film in general, or 2.69 on average for G films, 5.26 for PG films, 8.27 for PG-13 films, and 19.32 for R-rated films. We focus in the text on the question of what exactly users choose to filter out of Hollywood films, but our data raise a separate set of questions about what Hollywood chooses to put into its films in the first place.

Filter Type	Total Filtered	Percent	Filter Type	Total Filtered	Percent
Fuck	26,425,075	60%	language_crude_o	75,183	22%
God	20,318,645	49%	sex	40,941	29%
shit	13,781,850	45%	penis	36,395	35%
damn	6,827,097	45%	horny	23,127	37%
hell	6,549,235	37%	twat	21,963	46%
sexual_reference	5,757,094	24%	fag	20,404	40%
Jesus	5,537,462	53%	pecker	19,928	48%
language_crude	5,495,167	12%	fart	14,600	20%
ass	5,068,875	41%	porn	12,659	36%
bitch	3,036,410	46%	lang_discrim_oth	11,464	30%
bastard	755,080	45%	jerk	10,530	38%
racial_slurs	732,138	14%	dildo	6,998	41%
other_language	727,217	24%	blowjob	6,321	40%
dick	714,723	32%	cum	4,212	37%
lang_sexual_oth	654,680	30%	douche	3,811	45%
lang_vulgar	577,182	26%	testicles	3,775	38%
piss	450,693	28%	clit	3,742	32%
british_profanity	363,884	29%	christ	3,516	69%
puss	219,392	38%	lang_blasph_oth	3,032	41%
balls	208,714	32%	jiz	1,938	35%
cock	205,119	35%	orgasm	924	57%
prick	178,437	41%	queers	797	24%
crap	161,572	22%	ejaculate	635	27%
niger	123,556	26%	dink	377	68%
cunt	96,045	43%	gangbang	173	30%

Figure 12a. Aggregate Audio Filter Usage

Filter Type	Total Filtered	Percent	Filter Type	Total Filtered	Percent
immodesty_female	7,194,069	12%	drugs_illegal	375,404	11%
non-graphic	5,158,855	4%	shown_w_o_nudity	308,396	44%
graphic	4,866,412	10%	studio_logos	301,066	7%
nudity_female	2,115,812	32%	nudity_both	286,574	33%
violence_images	2,055,007	8%	implied	272,695	4%
sexually_suggestive	1,706,272	25%	shown_w_nudity	266,033	57%
negative_elements	1,494,518	10%	jar_jar_binks	185,796	8%
implied_nudity	1,339,624	25%	nonconsensual	142,669	44%
implied_not_shown	1,274,004	34%	NA	83,504	9%
nudity_male	1,267,503	35%	kissing_homo_normal	50,718	23%
immodesty_male	1,076,799	16%	kissing_homo_passion	15,064	28%
drugs_legal	967,252	5%	nudity_w_o_sex	1,798	14%
kissing_normal	502,874	7%	climax_scene	1,122	52%
language_captions	489,561	28%	immodesty	616	5%
drugs_implied	460,315	6%	short_film	72	12%
credits	443,366	10%	lyrical_song	46	14%
immodesty_both	437,400	19%	kissing	35	4%
kissing_passion	418,955	15%			

Figure 12b. Aggregate Video Filter Usage

As for the filters that we typically excluded from our work, those turned out to be relatively unpopular anyway. Filters for a film's opening credits, closing credits, and studio logos were all chosen at rates of under 10%. And, somewhat surprisingly, only 8% of the scenes involving Jar Jar Binks were cut by VidAngel's users. Somewhere out there, George Lucas is smiling.

Counts like these are informative but they suffer an important constraint: the numbers and percentages turn heavily on VidAngel's decisions about the level of abstraction at which to define categories. For *Deadpool*, for instance, the lowest level of VidAngel's hierarchy separately labelled audio use of the words "cock" and "dick," and also had a separate category for "language_crude" that primarily included yet other examples of (how shall we say?) anatomical slang. Streams of that movie thus pushed up the counts for "cock" and "dick"; had VidAngel instead chosen to lump both of those words under the more general label "language_crude," by contrast, streams of *Deadpool* would have moved "language_crude" up the chart at the expense of the "cock" and "dick" counts. Counting the number of times each label was selected thus gives some information about the types of material VidAngel users targeted, but the results also unavoidably reflect VidAngel's judgment about how best to categorize content.

To mitigate this concern, we reorganized VidAngel's separate filter categories into six larger buckets: audio filters related to sex, to violence, and to language; and video filters related to sex, to violence, and to language. Some labels were included in more than one of the six buckets. For instance, we characterized VidAngel's label "audio, blowjob" as a filter relevant to both audio sex and audio language, and we characterized VidAngel's "video, nonconsensual [sex]" as relevant to both video violence and video sex. By the same token, some of VidAngel's labels fit none of the categories. For example, the label "video, drugs_implied" did not seem to be relevant to sex, violence, or language, even though it is easy to imagine a viewer wanting to filter out that content. When interpreting labels, meanwhile, we read VidAngel's textual descriptions in order to make sure we were construing ambiguous labels accurately. Thus, for instance, we looked at specific movies in the database to determine that "video, implied" in fact meant "video, implied *violence*" and not "video, implied *immodesty*."

Figure 13 summarizes the results. In the two rows labelled "All Movies," we report statistics across all streams in our dataset, showing (a) the absolute number of filters triggered in each audio and video category; (b), in parentheses, per-stream averages for that category; and (c) a percentage measure, equivalent to the one shown in Figure 12, that shows how those numbers compare to the maximum number of times the filter could have been triggered had users selected it every time it was offered. For example, we report that users in 2016 triggered over 37 million audio filters related to sex, which works out to a per-stream average of roughly 9.7 and approximately 47% of the number of audio filters related to sex that users could have triggered. Similarly, we report that users triggered over 20 million video filters related to sex, which corresponds to a 5.4 per-stream average and a selection percentage of almost 18%. The other eight rows report comparable information but according to each stream's MPAA rating, with audio and video filters reported separately. Comparisons between MPAA ratings are best made using the per-stream numbers and the percentage scores, but not the absolute numbers, because the absolute numbers are influenced both by filter selection and by the number of streams associated with that rating. The per-stream and percentage measures, by contrast, are scaled; the per-stream measure reports the number of filters chosen divided by the number of streams in that category, and the percentage measure reports the number of filters chosen divided by the number of filters available across all the relevant streams.

Audio Filters	**Sex**			**Violence**			**Language**			**Other**		
All Movies	37,189,746	(9.7)	47%	1,775	(0.0)	13%	91,310,037	(23.9)	41%	5,533,209	(1.5)	52%
G Movies	67,126	(0.4)	20%	151	(0.0)	3%	509,036	(2.8)	16%	39,271	(0.2)	39%
PG Movies	984,059	(1.0)	31%	347	(0.0)	21%	7,666,670	(7.5)	26%	414,704	(0.4)	44%
PG-13 Movies	6,434,371	(3.7)	37%	1,031	(0.0)	15%	32,735,959	(18.6)	40%	2,359,272	(1.3)	55%
R Movies	29,704,193	(34.7)	52%	246	(0.0)	35%	50,398,382	(58.8)	47%	2,719,962	(3.2)	51%
Video Filters	**Sex**			**Violence**			**Language**			**Other**		
All Movies	20,731,125	(5.4)	18%	12,184,430	(3.2)	6%	3,081,104	(0.8)	27%	4,242,663	(1.1)	8%
G Movies	333,626	(1.8)	12%	341,318	(1.9)	6%	36,289	(0.2)	13%	185,782	(1.0)	7%
PG Movies	3,270,455	(3.2)	18%	2,046,678	(2.0)	4%	328,163	(0.3)	13%	1,390,242	(1.4)	8%
PG-13 Movies	9,219,578	(5.2)	16%	4,827,479	(2.7)	5%	1,019,702	(0.6)	27%	1,704,930	(1.0)	7%
R Movies	7,907,466	(9.2)	22%	4,968,954	(5.8)	11%	1,696,950	(2.0)	37%	961,708	(1.1)	13%

Figure 13. Filter Usage by Category and MPAA Rating

Start with the absolute numbers. Across all movie ratings, users primarily selected audio filters that target language. For PG-13 movies, for example, users selected over 32 million audio filters related to language, but fewer than 7 million audio filters related to sex and barely 1 thousand related to violence. Across all movie ratings except for films rated G, users primarily selected video filters that target content related to sex. For PG-13 movies, the counts this time put video sex above 9 million, video violence just below 5 million, and everything else below 3 million in total. G movies broke the pattern in that video filters related to violence slightly outnumbered video filters related to sex, but that result is likely driven by the fact that both sex and violence are rare in G-rated movies. Indeed, the shocking thing about the data related to G films is that there *is* data in the first place. Yet, on closer inspection, G films do regularly include violence (Mufasa dies a horrible on-screen death in *The Lion King*) and at least hint at sexuality (when streaming *Aladdin*, VidAngel quite accurately warns viewers that, in many scenes, "scantily clad women are seen"). Older films especially contain surprising content, like, for example, scenes in both *Pinocchio* and *One Hundred and One Dalmatians* where cartoon protagonists smoke cigars or pipes.

Turning to the per-stream averages, we find that these averages generally increase with increases in the restrictiveness of the MPAA rating. So, for example, the average G movie was streamed with 2.8 audio language filters selected, and that number grew to 7.5 for PG, 18.6 for PG-13 and ultimately 58.8 for R. This trend captures the interaction of two factors we identified earlier in the Article: movies with more restrictive MPAA ratings likely have more potentially objectionable content, which explains the upward trajectory; but they are likely watched by viewers who have more tolerance for uncomfortable content, which would at least slow and, in theory, could have reversed the rise. Looking at the numbers themselves, meanwhile, we see that per-stream edits tend to be small in number across all ratings and categories except for audio language filters applicable to R movies. There, viewers are watching, but they are muting an average of nearly sixty audio snippets per stream.

Lastly, as for selection percentages, perhaps the most shocking numbers in the chart are the selection percentages reported for video violence. Users, it seems, were interested in filtering only a tiny percentage of the violent scenes that VidAngel flagged as potentially inappropriate, with viewers opting to filter only 5.7% of the violent scenes in G movies, 3.8% in PG movies, 4.8% in PG-13 movies, and 10.5% in R movies. These percentages are noticeably lower than the comparable percentages for video filters related to sex, and even more noticeably lower than the comparable percentages for audio filters related to language.

VI. HOW USERS PERCEIVE FILTERED FILMS

In the preceding two sections, we told two basic stories. We first used the VidAngel data to show that there does in fact exist a market for filtered Hollywood films, even though the studios have historically resisted serving that market. We then offered some information about what exactly users seem to want to filter, finding (for example) that users focus more on visuals related to sex than they do on visuals related to violence; and that, even in the hands of the most aggressive users, filters are used modestly and with discretion, targeting specific types of content and in the aggregate excluding only small amounts of material. Here, we turn to one final question: do users who filter films enjoy those films to a similar extent as do viewers who opt instead to watch the corresponding unfiltered originals?

As we explained in Section II, this is a critically important question because Hollywood stakeholders might reasonably worry that viewers of filtered films will have a bad experience. Filters might remove scenes or dialogue critical to a film's story. Filters might mar the movie-watching experience by introducing unexpected silence and choppy video transitions. And filters might contribute to what we have described as a mismatch effect, where viewers make bad choices in essence because they overestimate the degree to which filters can transform a film. These concerns are particularly plausible as applied to the filtering facilitated by VidAngel, because VidAngel gave users great discretion to choose what and how much to filter. Users thus could have easily caused all of these problems for themselves, inadvertently trying to enjoy *Saved!* without any of its religious vocabulary, or *Se7en* with all of its violent scenes abandoned to the cutting room floor.

To quantify these potential harms, we embraced what we think is a reasonable hypothesis: viewers are likely to watch more of a film they are enjoying, and to cut short their time with a film they dislike. If that is true, then by looking at the extent to which users watch the films they filter, we can evaluate how filtered films are perceived. Specifically, if viewers tend to turn off filtered versions of a film noticeably sooner than viewers turn off the unfiltered version of that same film, that would be evidence consistent with a theory of reputational harm. By contrast, if viewers tend to watch filtered films to a similar or greater degree as compared to viewers who watch unfiltered originals, that evidence would suggest that the above-described harms are theoretically plausible but not in fact experienced by viewers.

Figure 14 answers the question. The first row reports that, on average, for the 1.689 million streams for which users triggered between one and ten filters, VidAngel's viewers watched roughly 88.9% of each filtered movie. The second row shows that, on average, for the 416,000 streams for

which users triggered between eleven and twenty filters, viewers similarly watched roughly 88.8% of the resulting filtered films. Later rows report the results for larger numbers of filters, but the viewership percentage remains nearly constant. Streams involving more than 100 filters were on average viewed to roughly the same degree as were streams involving fewer than ten filters, and, across the entire dataset, roughly 90% of all streams fell in one of the buckets where the viewership percentage was between 87.2% and 88.9%. Viewers, it seems, enjoyed their filtered films.

Number of Filters	Percent Viewed	Thousands of Streams
1-10	88.9%	1,689
11-20	88.8%	416
21-30	88.5%	309
31-40	88.4%	229
41-50	88.1%	187
51-100	87.2%	510
101+	84.8%	380

Figure 14. Percent Viewed by Number of Filters Used

The aggregate numbers reported in Figure 14 incorporate two substantial simplifications that more sophisticated analysis can disentangle. First, the numbers in Figure 14 treat all filters the same, even though some filters mute or excise larger portions of a film. Second, the numbers ignore the fact that viewers sometimes turn off a movie for reasons other than their displeasure with filtering. For instance, some movies are terribly long (*Gone with the Wind*); some are simply unpleasant in even their original form (*The Emoji Movie*); and some movies (*Finding Dory*) cater to younger audiences whose members may not always have sufficient patience to watch an entire film from start to finish regardless of its content.

We can account for these differences by using statistical models that include "fixed effects" for each individual movie. As readers with statistical backgrounds will know, fixed effects in this context are in essence movie-specific baselines against which filtered streams of each particular movie can then be compared. Simplifying a bit, if viewers in general tend to watch only half of *Gone with the Wind* regardless of the number of filters engaged, fixed effects adjust for that reality by ignoring the half-a-movie baseline and focusing instead on variation above and beyond that default level.

We report key findings in Figure 15. In this regression model, we include movie-specific fixed effects, along with measures of how much of the stream was filtered across each of eight categories: audio and visual filter-

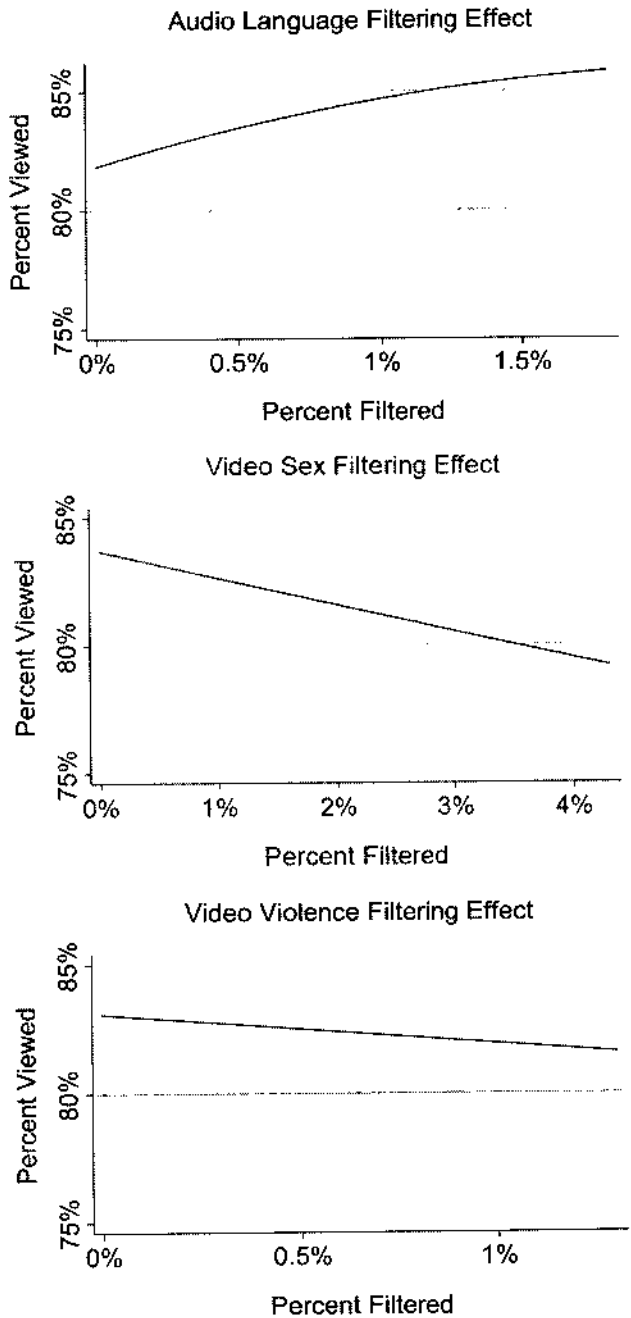

Figure 15. Viewership Trends by Amount and Type of Filtering

ing for sex, violence, language and "other." To allow for the possibility of non-linear and non-monotonic filtering effects, our model includes not just these raw measures of filter impact, but also each measure squared and cubed. Ultimately, for five of the eight categories, moving from zero filtering to the 90th percentile of filtering gave a predicted marginal difference of less than 1% in terms of how much of the stream would be watched. The other three categories, however, showed slightly more variation, as shown below. In each graph, the x-axis captures the percentage of material filtered as compared to the total runtime of the film, and the y-axis captures the percentage of runtime actually watched by the relevant user.

Two details bear mention. First, as is clear from comparisons across the three charts, viewing time is most at risk when video filters excise content related to sex. There are many possible explanations for why this type of filter might have the most pronounced impact. One possibility is that the absence of visual content related to sex particularly interferes with storytelling, disrupting the communication of key plot points and interfering with character development to a greater degree than does muting audio language or cutting video violence. Another possibility is that visual content related to sex is a particularly enjoyable aspect of the films in which it appears (is there really anything else redeeming about *Fifty Shades of Grey*?) and hence removing these scenes has a comparatively larger impact on viewer satisfaction. A third possibility is that movies with significant content related to sex are particularly vulnerable to the mismatch effect. That is, viewers might think that their objections apply only to scenes where intimacy is readily apparent, but when watching films that originally included intimate visuals, viewers might realize that their objections extend to the adult themes and mature dialog that likely pervade those films. Language and violence, by contrast, might be easier to isolate from other aspects of a film.

Second, viewing time seems to increase as the amount of language filtered increases. This is puzzling in that it implies that filtering actually increases enjoyment, but the trend might be explained by three observations. First, audio filters that target language might not have much impact on a film's story. A viewer probably does not need to know exactly which profanity John Goodman is yelling in order to appreciate the scene in *The Big Lebowski* where he trashes his adversary's car, nor does a viewer necessarily need to hear any of the vulgar words in *The Wolf of Wall Street* in order to understand the various characters' emotions, motivations, and personalities. Second, audio filters that target language might not significantly interfere with the presentation of a movie either. Visuals are not at all interrupted by audio filters. And audio disruptions tend to be quick, with the average length of an audio filter in our dataset clocking in at

barely one second in length. Filters applicable to visual violence and visual sex, by contrast, can be much more disruptive, breaking the video's visual continuity and lasting an average of seven and nine seconds, respectively. Third, and the factor that might be driving viewing time up: viewers who take the time to choose *specific* filters might also have a particularly strong interest in seeing the associated film. For visual violence and visual sex, this factor might be outweighed by the disruptions caused to the film's storytelling and presentation. But, if audio language does not much impact either storytelling or presentation, this correlation between intensity of filtering and intensity of interest might explain the unique upward slope of this one line.

VII. IMPLICATIONS

We began this Article by telling the stories of a few early filtering technologies, and we used those stories to situate our empirical work in the context of what has been a decades-long debate about who should decide whether and how films can be filtered at home. We intentionally held in abeyance, however, the most recent and most telling vignette. In June 2017, Sony Pictures announced that the studio itself was ready to sell to the public edited versions of some of its most popular films.[41] The details of the program were all going to be controlled by Sony, a company whose direct financial ties to viewers, writers, directors, producers, and actors presumably gave it a strong incentive to balance every competing interest when deciding which films to filter and how. Yet, Hollywood responded to even this program with breathtaking hostility.

The Directors Guild of America spoke up within hours. "Throughout the years," the industry group intoned in a harshly-worded press release, "the DGA has achieved hard-fought creative rights gains protecting our members from such practices. As creators of their films, directors often dedicate years of hard work to realize their full vision, and they rightfully have a vested interest in protecting that work. We are committed to vigorously defending against the unauthorized alteration of films."[42] Director Judd Apatow was more pointed, writing on Twitter, "This is absolute bullshit and @sony and @SonyPictures is gonna get hell for FUCKING with

[41] Pamela McClintock, *Sony's Sanitized Movie Initiative Faces Growing Opposition*, THE HOLLYWOOD REPORTER (June 13, 2017), https://www.hollywoodreporter.com/news/sonys-sanitized-movie-initiative-faces-growing-opposition-1013144 (quoting a Sony executive describing the program as "a pilot program . . . that offers viewers the option of watching an airline or TV version of certain movies when they purchase the original version").

[42] Josh Rottenberg, *Judd Apatow and the Directors Guild Blast Sony Plan to Release 'Clean' Versions of Films*, THE BALTIMORE SUN (June 30, 2017), https://www.baltimoresun.com/la-et-entertainment-news-updates-june-judd-apatow-and-the-directors-guild-1497461838-htmlstory.html (quoting the press release).

our movies. Shove the clean versions up your asses!"[43] The actor/director Seth Rogen added simply, "Holy shit please don't do this to our movies."[44]

Sony understandably relented. Within a week, division president Man Jit Singh sheepishly affirmed that directors "are of paramount importance to us" and promised that "if any of them are unhappy" with the new program, Sony will "discontinue it for their films."[45] And, since then, not a single film has been released as part of the "Clean Version" program, and its once-live URL (www.cleanversionmovies.com) today points nowhere.

Why is this an important vignette from our perspective?

But for this real-world evidence, we might have been tempted to end this Article by arguing that, when it comes to filtering, neither courts nor Congress need force Hollywood's hand. Viewers, our data suggest, want to filter Hollywood fare. Moreover, viewers happily watch the resulting films, enjoying edited versions to roughly the same extent as do viewers of the corresponding unedited originals. According to our data, then, filtering really can be a win-win where viewers are able to participate in shared cultural experiences despite their individual religious, moral, and personal constraints, and Hollywood stakeholders can enjoy the artistic and financial benefits associated with having larger audiences for their movies. The law need only stay out of the way, it would seem. The demand for filtered films should be willingly met without court or legislative intervention.

And yet, clearly not . . . because directors, writers, actors, and other Hollywood stakeholders perceive filtering as an affront to artistic integrity.

The example we used in Section II about *Schindler's List*, for instance, was drawn from real events: in 1994, Steven Spielberg refused to allow a movie theater to remove violence and nudity from the film even though he knew that patrons at that theater preferred to watch an edited version and, by denying them that chance, Spielberg was likely reducing the audience for his own film.[46] And, in 1985, when ABC proposed cutting nine minutes from the broadcast version of Warren Beatty's three-and-a-half hour Oscar-winning film *Reds*, Beatty not only scuttled the deal, but also sued the affiliated movie studio and launched a public relations campaign that

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[43] Dave McNary, *Judd Apatow to Sony: 'Shove the Clean Versions of Movies Up Your A—!'*, VARIETY (June 13, 2017), https://variety.com/2017/digital/news/dga-judd-apatow-outcry-sony-clean-version-movies-1202465372 (quoting Judd Apatow).

[44] McClintock, *supra* note 41 (quoting Seth Rogen).

[45] Rottenberg, *supra* note 42 (quoting Man Jit Singh).

[46] Rebecca Buckman, *A Cottage Industry in Utah Cleans up Hollywood's Act: Video Stores, Software Firms Cater to Mormon Tastes*, WALL ST. J., Sept. 19, 2002, at A1.

Martin Scorsese would later describe as an attempt to "lay the foundation for a philosophical change where the emphasis is off economics and onto art."[47] The tweets we quote from Judd Apatow and Seth Rogen lack Scorsese's eloquence, but they strike a similar chord. Hollywood is not objecting because of problems about film quality, distribution, or price. This is a fight about perceived artistic insult.

The implication for us is clear: copyright law should be interpreted so as to overrule Hollywood's high-class objections and open the market for filtered films. We have two reasons. First, our data show that any potential harm to artistic integrity is actually quite small. Viewers are not aiming to substantially change the films they otherwise want to watch. Quite the opposite, even viewers who want to filter are looking to trim on average less than 1% of the audio and less than 2% of the video from the average film. Spider-Man would still save the day at high personal cost in the typical edited version of Sam Raimi's *Spider-Man*. Adam Sandler and Drew Barrymore would still touchingly and repetitively fall in love in almost every filtered version of *50 First Dates*. And, yes, viewers who opt to watch filtered versions of *Superbad* will turn out to enjoy almost exactly the comedic experience that Seth Rogan originally intended for them. Deep breath, everyone. *Schindler's List* is an outlier. The artistic stakes are low when the movies at issue are *Step Brothers* and *Talladega Nights: The Ballad of Ricky Bobby*, the two Apatow films that Sony had planned to filter as part of its now-abandoned family-friendly offering.[48]

Second, even where the harm is larger, the right to prevent unauthorized alterations is simply not a right that copyright law was meant to recognize. European copyright systems have long enforced "moral rights" of this sort, including not only an explicit right to prevent unauthorized alteration, but also related rights, including the right to demand attribution, and the right to withdraw a work from public view.[49] But, for 100 years, the United States went so far as to refuse to join the international Berne Convention on Copyright because that agreement required its signatories to provide protection for moral rights, and American negotiators saw those rights as inconsistent with the American approach.[50] Even today,

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[47] David T. Friendly, *Movie Directors Versus TV Editing*, L.A. Times, Apr. 29, 1985, at 66.

[48] *See* Matt Goldberg, *Sony to Provide 'Clean Versions' of Its Movies on Home Entertainment*, Collider (June 6, 2017), http://collider.com/sony-movies-clean-versions (listing the films initially planned for edited release).

[49] *See* Henry Hansmann & Marina Santilli, *Authors' and Artists' Moral Rights: A Comparative Legal and Economic Analysis*, 26 J. Legal Stud. 95 (1997) (discussing the European approach); Roberta Kwall, *Copyright and the Moral Right: Is an American Marriage Possible?*, 38 Vand. L. Rev. 1 (1985) (same).

[50] Hansmann, *supra* note 49, at 96-97 ("For more than 100 years the United States refused to sign the Berne Convention, in part because of objections to the

the closest federal law comes to recognizing a right to prevent alteration is the Visual Artists Rights Act of 1990; and, while that statute does give authors the right "to prevent any intentional distortion, mutilation, or other modification . . . which would be prejudicial to his or her honor or reputation," the protection applies only to works that exist "in a limited edition of 200 copies or fewer" and, at that, are signed by the relevant author and numbered.[51] Hollywood films do not remotely fit the bill.

All that said, we are not unsympathetic to Hollywood's intuitive concern. Spielberg, Rogen and Apatow probably should publicly beseech their fans to watch Hollywood films in pristine form. They likewise probably should petition high schools across the country to use movies like *Schindler's List* and *Brokeback Mountain* to facilitate the learning that takes place when people are exposed to words, images, and ideas with which they are initially uncomfortable.[52] Spielberg, Rogen and Apatow perhaps should even petition Congress to expand copyright protection to include moral rights. But, in our view, Hollywood stakeholders should be forced to wage and win those fights on the merits, rather than use copyright law to take away tools and technologies that would otherwise empower viewers to honor their own religious, moral, and policy convictions.

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moral rights clause."); *see also* Kwall, *supra* note 49 (highlighting inconsistencies between the American and European approaches).

[51] 17 U.S.C. § 101 (2012) (defining a "work of visual art"); *id* § 106A (creating the above-quoted rights).

[52] Society admittedly has a strong interest in finding ways to ensure that each of us is exposed to a wide variety of conflicting perspectives, an interest that has grown only more urgent in these, society's Facebook years. Indeed, one of us wrote in 2005 that government should in certain situations promote the exchange of ideas specifically by *not* helping listeners filter out uncomfortable messages. *See* Douglas Lichtman, *How the Law Responds to Self-Help*, 1 J. Law, Econ & Public Pol'y 215, 255-59 (2005). We depart from that principle here, however, because we doubt that this high-minded interest is meaningfully served through the medium of Hollywood films, shown in the home, in front of children. Put simply, it is one thing to forcibly expose people in a courthouse to a jacket bearing the inscription "Fuck the Draft" (*Cohen v. California*, 403 U.S. 15 (1971)), and quite another to pressure a person in his living room, possibly with kids within earshot, to listen to John Goodman yell about "fucking people up the ass." (*The Big Lebowski* (1998)). The home need not be sacrosanct, and children are more resilient than they might at first seem, but the combination of factors at issue here seems to weigh against a policy of take-it-or-leave-it film distribution. *Compare* FCC v. Pacifica Found., 438 U.S. 726 (1978) (upholding restrictions on the use of profanity in broadcast radio in part because radio invades the privacy of the home, and in part because radio is uniquely accessible to children); Ashcroft v. ACLU, 542 U.S. 656 (2004) (upholding a preliminary injunction against a federal statute regulating Internet speech in part on the ground that "filter software is an alternative that is less restrictive" than was the proposed regulation and "likely more effective as a means of restricting children's access to materials harmful to them").

THE FUTURE OF BLOCKCHAIN TECHNOLOGY IN THE MUSIC INDUSTRY

by BILL ROSENBLATT*

INTRODUCTION

Blockchain technology is being discussed as a revolutionary force in many industries. Perhaps not since the advent of the Internet itself has a single technology buzzword captured the imagination of so many. The music industry is no exception: many music tech startup companies, R&D groups in existing companies, and venture investors are touting the promise of blockchain technology for music. Meanwhile, skeptics say that blockchain cannot possibly live up to all the hype it's generating nowadays.

In this article, we'll explain the basics of blockchain technology; then we'll evaluate proposed applications of the technology to music mainly by addressing the question of whether it solves a known, current pain point or meets a current need. This criterion derives from the theory of technology market development originally propounded in the 1990s by Geoffrey Moore.[1] In essence, the theory says that a fundamentally new technology has to be packaged in complete solutions to known problems in order to gain a foothold in the market. Only after the market accepts those solutions can the technology go "horizontal" and reach the mainstream.

To evaluate the impact of any technology on the music industry, it's useful to break the industry down into two categories: B2B (business-to-business) and B2C (business-to-consumer). The B2B realm spans everything from a composer or performer creating music to the music getting to a service that will distribute it to the public. B2C covers the ways in which those services make the music available to users.

As we'll see in this article, the most likely applications of blockchain technology to music are in the B2B realm, where it has the potential to solve some of the problems of efficiency and accountability in rights management and royalty payments that are plaguing the industry today. In contrast, the blockchain technology applications that are being discussed for B2C music generally address problems that have already been solved

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[1] GEOFFREY MOORE, CROSSING THE CHASM, 3RD EDITION: MARKETING AND SELLING DISRUPTIVE PRODUCTS TO MAINSTREAM CUSTOMERS (2014).

without blockchains, that blockchain technology is not likely to solve, or that the market has determined are not worth solving. Yet even the B2B applications of blockchain technology to music are predicated on several factors: cooperation across multiple industry factions, overcoming fundamental limitations in the technology, and unavailability of other solutions to the known problems.

Proposals for blockchain applications for music and other forms of intellectual property have come from several sources; perhaps the best single summary is a paper written in May 2016 by the think tank COALA (Coalition of Automated Legal Applications).[2]

I. WHAT IS A BLOCKCHAIN

A blockchain is a type of distributed database — a ledger of transactions that isn't owned by any single entity. Instead, every entity that participates in a blockchain has a copy of it that is guaranteed to be complete at any given time. Figure 1 shows a generic example of a blockchain.

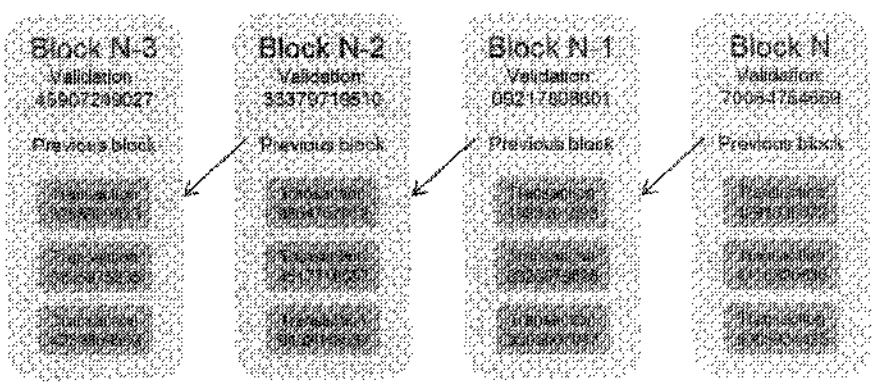

Figure 1: An example of a generic blockchain that contains multiple transactions, pointers to previous blocks in the chain, and data used to validate the block.

It's only possible to add transactions to a blockchain; once there, they can't be altered or removed. When a process wants to add data to a blockchain, it constructs a block of data and appends it to the blockchain with a link. Then a protocol runs to validate the data in the new block. This typically involves other entities performing complex mathematical and cryptographic calculations on the data to validate it. The data is con-

[2] COALA Working Grp. on Intell. Prop., How Blockchains Can Support, Complement, or Supplement Intellectual Property, https://github.com/COALAIP/specs/blob/master/presentations/COALA%20IP%20Report%20-%20May%202016.pdf.

sidered valid once a sufficient number of entities has agreed on its validity as a result of those calculations; details vary from one scheme to another. The entities performing the validation need sufficient incentives to do it correctly.

The most widely-known blockchain is the blockchain for the Bitcoin cryptocurrency; but just as there can be an infinite number of databases, there can be arbitrarily many blockchains. Blockchains can be public or private, and entities that post data onto blockchains can be known or anonymous. It all depends on the requirements of the application.

Many ancillary technologies are associated with blockchains; one that's particularly relevant to this discussion is *smart contracts*. A smart contract is (in this case) a set of rules or instructions that run on a blockchain automatically, such that the rules are guaranteed to be applied to all nodes in a blockchain. The Ethereum blockchain is known for its support of smart contracts.

II. B2B APPLICATIONS: RIGHTS AND ROYALTY PROCESSING

First, we will look at B2B applications of blockchain technology for music. Whenever a songwriter creates a composition, or when a performing artist performs one, data and processes are created that result in the work being used and (in many cases) the creator getting paid for those uses.

Currently, those processes are managed by an ad-hoc collection of laws and entities that have evolved over the past couple of centuries and continue to evolve with new technologies. Before the digital age, those processes were relatively straightforward: for example, a musician performs a composition in public, and the composer gets paid; or a musician records a composition and (through a record label) sells physical copies of the recording; the recording artist and the composer both get paid for each copy sold.

In the digital age, many variations on these themes have been proliferating along with innovations in distribution models such as downloaded digital files (iTunes, Amazon MP3), noninteractive streaming (Pandora, iHeartRadio), and paid subscription services (Spotify, Apple Music). Each of these innovations has engendered more rights management and royalty payment schemes. Accordingly, the entities that govern rights and royalty processes are becoming more numerous, and the data they handle is constantly becoming more complex. The increased size and complexity inevitably lead to more errors, omissions, misunderstandings, and disputes.

To explain this, we'll start with the basics of copyright law as it applies to music. Each track of recorded music has two copyrights: one for the composition (created by a composer or songwriter), the other for the sound recording of that composition (created by a recording artist). The

sound recording is said to *embody* the composition; conversely, the composition is said to *underlie* the recording. "Composition" is something of an abstract notion; it's easiest to think of it as the written music plus lyrics, if any.

Compositions are administered by *music publishers*, while sound recordings are usually (though not always) administered by *record labels*. Typically, music publishers and record labels own rights and collect portions of royalties on the copyrighted works. The simplest example is a singer-songwriter who creates both the composition and the sound recording: Bruce Springsteen wrote and recorded *Born to Run;* he published the song through his own music publisher (Bruce Springsteen Publishing) and distributed the sound recording through his record label (Columbia).

In today's pop music world, there are often several songwriters for each composition, and they agree on percentages of royalties called *splits*. Each of these songwriters could have a different music publisher. This is especially the case if a composition contains excerpts or samples from other compositions. For example, Drake's hit song *Nice for What* has over twenty composers. In addition, several people could get royalty credit for a sound recording, including the producer and so-called *featured artists*.

Under U.S. copyright law, copyright owners get a set of exclusive rights to their works.[3] They can license these to various copyright users, such as digital music services – which are known generically as *Digital Service Providers* or DSPs. The most relevant rights for this discussion are public performance (live for an audience or of a recording), reproduction, and distribution. By industry convention, reproduction and distribution rights for compositions are bundled into a single right called a *mechanical*.[4]

So, both composition and sound recording copyright owners have performance and reproduction/distribution rights. In theory, that means that four royalty payments are required whenever someone plays a recording of the composition through a DSP. As we'll see, this is true for some but not all cases. This is shown in Figure 2.

[3] 17 U.S.C. § 106 (2012).

[4] Another important licensable music right is one that we will not discuss here and is not included in the "bundle" defined in § 106: the *synchronization* or *sync* right, which is often licensed for music that is included in a visual work such as a TV show, movie, music video, TV commercial, etc.

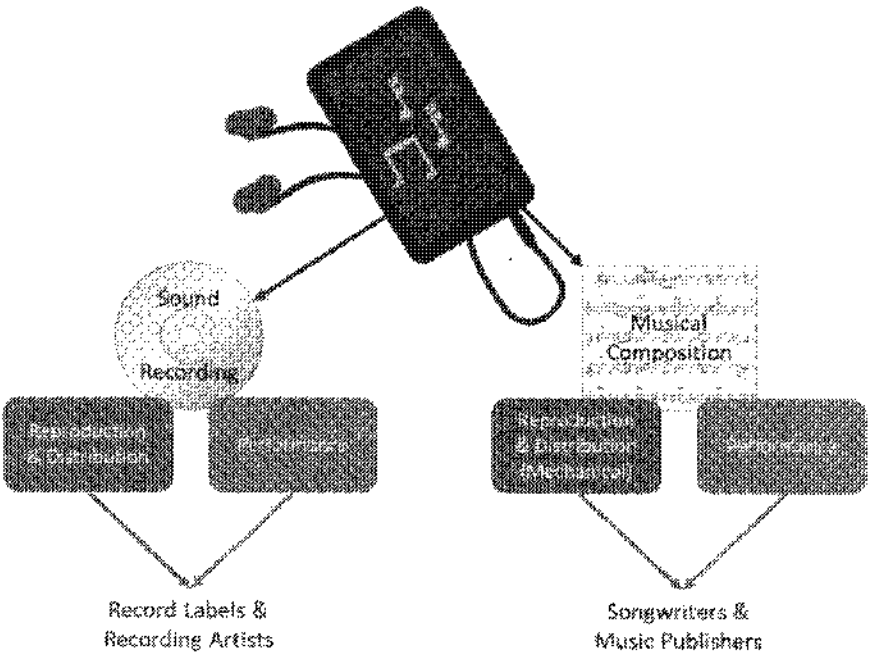

Figure 2: The four basic licensed rights for recorded music.

Organizations have emerged over time that process these royalties on behalf of multiple rights holders. Some of these are known as *collecting societies* or *collective rights management organizations*; these have bargaining power over royalty rates and in some cases have gotten antitrust exemptions in order to operate. Other such organizations can be thought of as back-office paperwork processors for rights holders; they hold no bargaining power and own no rights.

On the composition side, performing rights organizations (PROs) are collecting societies that handle performance royalties. In the United States, these are ASCAP, BMI, SESAC, and Global Music Rights (GMR). Each composer belongs to one of these. There are also *mechanical rights organizations (MROs)* that process mechanical royalties, such as the Harry Fox Agency (HFA), owned by SESAC. Finally, there are *publishing administrators* that manage royalties for music compositions (and take fees for doing so) but do not own any copyrights, such as TuneCore Publishing and Songtrust. Publishing administrators work with PROs and MROs (among others).

All these organizations tend to serve smaller music publishers but typically not the major publishers such as Universal Music Publishing Group, Warner/Chappell, and Sony/ATV (divisions of Universal Music Group, Warner Music Group, and Sony Music Entertainment respectively). The

majors tend to make licensing deals with DSPs directly. Some of the royalties on musical compositions are set by statute, such as 17 U.S.C. § 115 for mechanicals.

On the sound recording side, record labels typically own sound recording copyrights – known as *master rights* — outright. Exceptions to this include some big-name artists who retain ownership of their copyrights, independent artists without labels, and artists who record on the small labels that let artists retain copyright ownership. The major labels generally make direct deals with DSPs; these deals tend to cover specific types of digital performances and reproductions, such as paid permanent downloads (a la iTunes), time-bounded downloads, paid subscription streams, or ad-supported streams.

The only collecting society for sound recordings in the United States is a nonprofit company called SoundExchange, which administers royalties for performances of sound recordings on digital radio services such as Pandora, iHeartRadio, and Sirius XM under the 17 U.S.C. § 114 statutory licenses. Finally, there are organizations on the sound recording side that are analogous to publishing administrators on the composition side: so-called *indie aggregators* handle digital licensing for sound recordings, either for small independent labels (such as The Orchard, INgrooves, and FUGA) or for independent artists (such as TuneCore, CD Baby, and Symphonic).

The following figures show some of the most important of the many different content and money flows in digital music.[5] The following are explanations of "typical" flows, not counting direct publisher or label deals as described above.

Figure 3 depicts the flows for musical compositions, involving songwriters and publishers, from most types of DSPs (with differing royalty amounts for different service types). In this process, a DSP has a catalog of recordings available, each of which embodies a composition.[6] When the DSP delivers a recording to a user (whether by download or stream), the DSP pays a mechanical royalty to an MRO, and performance royalties to a PRO and the composer(s), on the underlying composition.

Figure 4 shows the flows for sound recordings, involving recording artists and labels, from digital music download services such as iTunes. In this case, the music service pays a royalty to a record label for each track that a user downloads. The label passes mechanical royalties to the pub-

[5] For a much more comprehensive discussion of the U.S. music licensing "sausage factory," see UNITED STATES COPYRIGHT OFF., COPYRIGHT AND THE MUSIC MARKETPLACE, https://copyright.gov/docs/musiclicensingstudy/copyright-and-the-music-marketplace.pdf.

[6] Some recordings, such as "mashups," can embody more than one composition. See note 13 *infra* for an example.

lishers of the underlying composition (as above) and pays a percentage of the remainder to the recording artist.

Figure 5 shows the flows for sound recordings from interactive streaming DSPs such as Apple Music, Spotify, and Amazon Music Unlimited. The flow is similar to the download scenario in Figure 4, except that the interactive stream counts as a performance of the underlying composition (as well as a digital performance of the sound recording), so the DSP must pay a performance royalty to the relevant PRO as well as to the record label.

Figure 6 shows the flows for noninteractive music services, which pay sound recording performance royalties to SoundExchange (the Sound Recording PRO) as described above.[7]

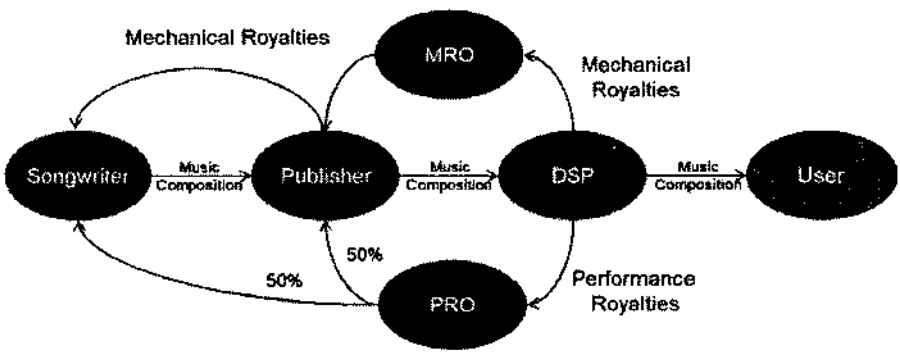

Figure 3: Typical musical composition royalty flows from digital music service providers.

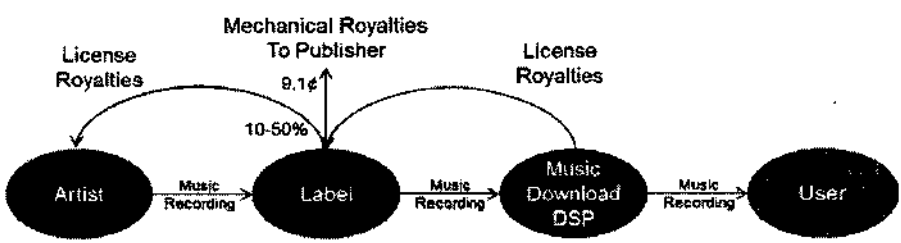

Figure 4: Typical sound recording royalty flows from digital music download services.

[7] AFM (American Federation of Musicians) and SAG-AFTRA (Screen Actors Guild-American Federation of Television and Radio Artists) are labor unions that administer royalty payments to musicians and backing vocalists.

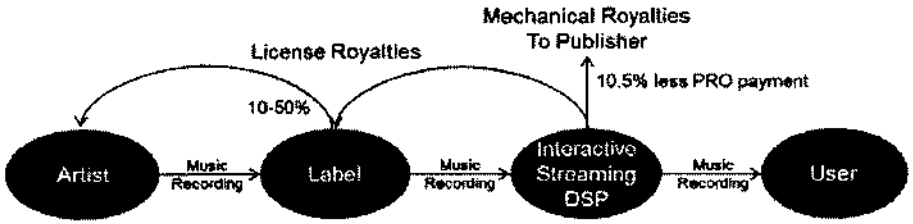

Figure 5: Typical sound recording royalty flows from interactive streaming services.

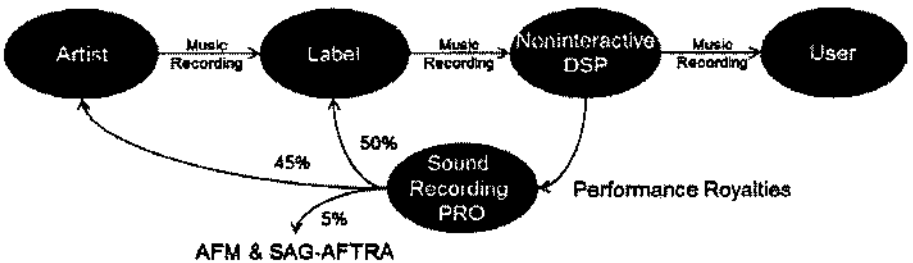

Figure 6: Typical sound recording royalty flows from noninteractive (radio-like) streaming services.

This should give some idea of the number and complexity of transactions that must occur, and the number of entities involved, whenever a DSP plays or downloads a music track for a user. Each play or download involves two distinct sets of rights holders and rights, and various administrators that process licenses and royalties on those rights.

As an additional layer of complexity and ambiguity, some of these royalties are paid to rights holders through estimates of use while others are paid on actual measured use. Examples of the former include performance royalties for broadcast radio airplay on compositions: radio stations pay royalties to PROs, and the PROs estimate the payouts to each of the rights holders affiliated with them. Examples of royalties that are paid on actual measured use include mechanicals on compositions and performance royalties on sound recordings under the statutory licenses mentioned above.[8]

As these royalty streams proliferate in their number and complexity, there is an increasingly urgent need to track them efficiently and accurately. As the above explanation implies, the different entities involved in rights management and royalty processing comprise — at best — a patch-

[8] The latter is only the case for digital radio services such as Pandora and Sirius XM, because otherwise there is no performance right on sound recordings in U.S. law. Almost all other countries have such a right in their copyright laws.

work solution involving many unrelated proprietary entities and a paucity of reliable publicly available information.

The industry has been looking at various ways of streamlining and rationalizing the system. Some of these involve changing the laws; for example, the Music Modernization Act of 2018 streamlines mechanical royalties on compositions for interactive streaming services by, among other things, amending § 115 to provide for blanket licenses instead of requiring track-by-track licensing. But other efforts focus on improving ways to identify and track rights holders and usages, so that the processes can be automated with confidence.

At a minimum, automation of music royalty processes requires two things: that copyrighted works and rights holders can be uniquely and unambiguously identified, and that sound recordings be definitively linked to the compositions they embody. We'll discuss each of these in turn.

Unique and unambiguous identification requires common standard identifiers. A standard unique identifier for sound recordings exists and is widely used among record labels: the ISRC (International Standard Recording Code).[9] Compositions also have standard unique identifiers — ISWCs (International Standard [Musical] Work Codes).[10]

Two different standard identifiers for rights holders are used in the music world. IPI (Interested Party Information)[11] is widely used among PROs to identify holders of rights in musical compositions. A newer standard, ISNI (International Standard Name Identifier),[12] identifies creators, which can also include musicians. These identifiers are largely redundant, and there is no reason why one rights holder identifier could not be used for all types of music rights holders. ISNIs are not yet widely used, though they are increasing in popularity among singer-songwriters — which indicates that ISNI is "crossing over" from the recording to songwriting domains, whereas the converse is not true for IPI.

DSPs receive feeds of sound recordings and associated information (metadata) from record labels and indie aggregators. Unfortunately, that information does not always reliably identify the compositions underlying

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9 *See* IRSC, http://isrc.ifpi.org/en (last visited May 4, 2019). The ISRC is administered by IFPI, the international umbrella trade organization for the recording industry.

10 *See* ISWC, http://www.iswc.org (last visited May 4, 2019). The ISWC is administered by CISAC, the international umbrella trade organization for composers and their rights administrators, a separate organization from IFPI.

11 *See IPI*, CISAC, http://www.cisac.org/What-We-Do/Information-Services/IPI (last visited May 4, 2019).

12 *See* ISNI, http://www.isni.org (last visited May 4, 2019). ISNIs are used beyond the music world, such as for scholarly researchers and book authors.

the sound recordings.[13] Sometimes labels don't supply composition rights holder information, and sometimes the information is unavailable.[14]

This has been especially problematic for interactive streaming DSPs such as Spotify, Apple Music, Google Play, etc., because they have had to pay mechanicals on a per-use basis under the § 115 statutory license. To qualify for the statutory license, they must currently send rights holders forms called Notices of Intention (NOIs) for each composition. If they can't identify the rights holders, they can send NOIs to the U.S. Copyright Office and put the royalty payments in escrow. These interactive streaming DSPs ingest tens of thousands of music tracks *every day* and must process each of them in this way — although this process will be substantially streamlined once the Music Modernization Act's blanket license for relevant composition mechanicals becomes available in January 2021.

The other challenge in automation of royalty payments is linking of sound recordings to their underlying compositions. There is no universal way to reliably link sound recordings to their underlying compositions; there is no public registry or database. There are a few agencies that do this work for DSPs, including HFA and Music Reports Inc., but they use proprietary methods of finding matching compositions that are not foolproof (because of the fundamental data problems mentioned above). Those services must maintain separate databases for each DSP for these purposes, even though those DSPs' huge catalogs are mostly identical.[15]

Previous industry attempts to solve these problems have focused on creating enormous centralized registries — databases of information about copyrighted works, rights, and rights holders that can be accessed online. There have been over half a dozen major attempts of this nature, most notably the Global Repertory Database ("GRD"), which began in Europe in 2010 and was shelved after four years and millions of dollars. None of these efforts have succeeded, mainly because of the sheer complexity of gathering all that data in one place and keeping it up to date, the lack of

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[13] Note that this is potentially an M-to-N mapping. A composition can have multiple recordings (think *Yesterday* by Lennon & McCartney), or a recording can embody multiple compositions (think Danger Mouse's *The Grey Album*, which contains mashups of the Beatles and Jay-Z).

[14] This is not just the case when the composition is old or obscure. There have been many cases of missing ISWCs for recent multi-songwriter compositions because of rules that require all songwriters and splits to be identified before an ISWC can be issued — resulting in hit records being released several months before ISWCs are assigned.

[15] The Music Modernization Act purports to solve this problem by creating a single Mechanical Licensing Collective that will match recordings to compositions for all participating DSPs and will be required to maintain such a publicly accessible database.

financial incentives, and issues of power and control over the data by a single entity.[16]

Blockchain technology could solve some of these rights management and royalty problems. In the ideal scenario, whenever a user downloads or plays a music track on a DSP, the DSP deposits a record on a semi-private blockchain that's accessible to all interested parties. The record would contain identifiers for the sound recording and composition(s), the DSP, and the type of rights usage (e.g., interactive stream). Each rights holder, collecting society, and administrator would be able to read the record and institute a royalty payment transaction via a smart contract. The records and transactions would be visible to all stakeholders, establishing a permanent paper trail to aid in dispute resolution.

The biggest advantage of a blockchain in this situation is that it would reduce the industry's dependence on closed, proprietary, largely redundant databases and transaction registries. Entities that manage rights and royalties would have less need for their own data repositories. It would be much easier for all parties to communicate with a single entity through a standard interface rather than many different entities with their own interfaces and data requirements; it would facilitate new service providers that increase efficiency, accuracy, and accountability even further; and it would increase rights holders' visibility into royalties that they are owed.

Blockchain technology also eliminates many of the disadvantages of the centralized database approach. No single entity owns a blockchain, so there is no issue of control or influence, though it would still be necessary to design a consensus system for validating transactions that involves stakeholder incentives. The cost of building the enormous technical infrastructure would also be much lower — blockchains are largely based on open-source technology — and would be spread amongst the participants.

Yet it would certainly be a mistake to think of blockchain technology as a panacea. One of the biggest sources of inaccuracies in current rights management and royalty processing is the classic "garbage in, garbage out" problem: if you start with bad or incomplete data, you get an incorrect result. Blockchain technology will never eliminate the "garbage in" problem. But it can help reduce errors and inconsistencies that result from having to move data in and out of multiple proprietary systems. A blockchain can use data interoperability standards to establish common rules for interfacing data from existing systems (for example, PROs' ex-

[16] For a skeptical view of the GRD at its outset, see Bill Rosenblatt, *European Music Rights Database Project Issues RFP*, COPYRIGHT AND TECHNOLOGY (Aug. 23, 2010), https://copyrightandtechnology.com/2/08/23/european-music-rights-database-project-issues-rfp; for a good summary of its failure, see Klementina Milosic, *GRD's Failure*, MUSIC BUSINESS JOURNAL (Aug. 2015), http://www.thembj.org/2015/08/grds-failure.

isting databases) to the blockchain. A project called the Open Music Initiative (OMI) is working on promoting this kind of data interoperability standard.[17]

Aside from that, the biggest obstacle to the use of blockchain technology for this application is scalability. Interactive music streaming alone is in the hundreds of billions of streams per year, [18] which puts the number of royalty transactions into the trillions, and the number is growing rapidly. Even if a blockchain is "limited" to tens of thousands of nodes (one for each music industry stakeholder—publisher, record label, PRO, etc.), it is nowhere near possible to handle the volume of transactions necessary. The need to replicate each transaction over every node of the blockchain severely limits transaction volume capacity. For example, the peak throughput of the Ethereum blockchain (which supports smart contracts), in January 2018, was measured at about sixteen transactions per second and is about eight at this writing.[19] To put that in perspective, a volume of one trillion annual transactions averages out to over 30,000 transactions per second, and Visa's credit card transaction processing capacity as of January 2018 was 24,000 transactions per second.[20]

Of course, scalability is bound to improve through a combination of Moore's Law and the innovation made possible by the huge amounts of talent and funding pouring into the blockchain space.[21] Even now it should be possible for a small set of complementary stakeholders to start building decentralized blockchain-based royalty processing solutions at a scale that current technology can handle. A current example of this is the startup Dot Blockchain Media, which has been running a pilot project with a PRO (SOCAN of Canada), an indie sound recording administrator (CD Baby), an indie label aggregator (FUGA), a publishing administrator (Songtrust), and a DSP royalty administrator (MediaNet, which is owned by SOCAN).[22]

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17 OPEN MUSIC, http://open-music.org (last visited May 6, 2019).

18 *U.S. Music Mid-Year Report 2018*, NIELSEN.COM (July 6, 2018), http://www.nielsen.com/us/en/insights/reports/2018/us-music-mid-year-report-2018.html.

19 *Ethereum Transaction History*, ETHERSCAN, https://etherscan.io/chart (last visited May 6, 2019).

20 Raul, *Transaction Speeds: How Do Cryptocurrencies Stack up to Visa or Paypal*, HOWMUCH (Jan. 20, 2018), https://howmuch.net/articles/crypto-transaction-speeds-compared.

21 For example, the creator of Ethereum has claimed that the Ethereum network should eventually be able to process a million transactions per second. Joseph Young, *Vitalik Buterin: Ethereum Will Eventually Achieve 1 Million Transactions per Second*, CCN.COM (Mar. 6, 2018), https://www.ccn.com/vitalik-buterin-ethereum-will-eventually-achieve-1-million-transactions-per-second.

22 *dotBlockchain Music Project Announces First Industry Partners*, PRNEWSWIRE (Feb. 1, 2017), https://www.prnewswire.com/news-releases/dotblockchain-music-project-announces-first-industry-partners-300400206.html.

III. B2C APPLICATIONS: MUSIC OWNERSHIP

Now we turn to B2C blockchain applications for music. The B2C application that is most discussed nowadays is distributing digital music to consumers with transaction records on a blockchain to establish both the provenance of the music and the personal ownership of each digital file.

To the extent that proponents of this blockchain application purport to solve a pain point for consumers, that pain point is the lack of true consumer ownership of digital files. Although a market for downloaded music files has existed for roughly two decades, consumers have never had the feeling that they owned those files as they did their collections of vinyl or CDs.[23]

The market for digital music downloads began in the late 1990s. It initially bifurcated into authorized paid downloads with digital rights management (DRM) through iTunes and other retailers, and unauthorized free downloads shared through networks such as Napster and its progeny. There were also services that sold music downloads without DRM, such as eMusic, but those constituted a small part of the market. Then the music industry eliminated DRM for paid downloaded files in 2009.[24]

More recently, interest in paid downloads has been declining. Music industry revenue from paid downloads peaked in 2012 and has been falling at a steady pace ever since. One reason for consumers' declining interest in downloads is that consumers have decided that downloads don't give them a sense of ownership of music and/or that ownership isn't important.

The industry's use and eventual abandonment of DRM for downloads is indicative of the lack of importance attached to ownership. There have been, of course, many arguments over DRM; most have been focused on DRM's purported value in curbing copyright infringement versus its ability to restrict user actions that users expect to be able to do and which may be fair use, such as making copies for personal, noncommercial use on all of one's devices, or taking excerpts and using them in other works. Yet a somewhat different aspect of DRM is often overlooked: it was originally employed as an attempt to emulate elements of physical media products in the digital domain, including user ownership of those products.

The idea was that if you had a digital file that could only play on your authorized devices, it was your file and no one else's; and you had some kind of guarantee that you got the file from a legitimate source. Although long forgotten today, some early vendors of DRM technology touted this

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[23] AARON PERZANOWSKI AND JASON SCHULTZ, THE END OF OWNERSHIP: PERSONAL PROPERTY IN THE DIGITAL ECONOMY (2016). *See also* note 30 *infra*.

[24] The industry still uses forms of DRM in most streaming services. *See* Bill Rosenblatt, *The Myth of DRM-Free Music, Revisited*, COPYRIGHT AND TECHNOLOGY (Feb. 16, 2017), https://copyrightandtechnology.com/2017/02/16/the-myth-of-drm-free-music-revisited.

idea of ownership emulation as a consumer benefit of DRM. As it turned out, consumers didn't recognize this value, and DRM proved to be limited in its ability to emulate ownership anyway. DRM typically didn't allow users to exercise first sale rights under § 109 (to resell, lend, or give away files), and it was ultimately a way to tie content to devices rather than people.

Moreover, the law doesn't recognize purchased downloads of digital media files as sales of copyrighted works; it recognizes them as transactions under licenses. This means that the license agreements that govern downloads — such as the Amazon Music Terms of Use[25] — can specify whatever restrictions the publisher wants. Legal precedent says that if the rights that a user gets in a license agreement are more restrictive than those granted under copyright law, then the license terms are enforceable.[26]

So, DRM was an attempt to emulate physical ownership that failed; and then even doing away with DRM on music downloads did not result in digital products that consumers felt they "owned." Since 2012, the market has moved beyond downloads to streaming — a mode of delivery that does not purport to emulate ownership. More people are now interested in paying $10 per month for on-demand access to large catalogs of music (until they stop paying the $10 per month), or paying nothing for access to music with ads, than they are in paying $0.99 for digital tracks that they can play in perpetuity.

In this context, some people see blockchain technology as a way of more faithfully emulating consumer content ownership in the digital domain.[27] There are variations on this idea, but the main concept is this: an artist creates a work. She sells unique digital copies of the work by distributing small files called *tokens*, which contain unique identifiers. The identifiers, and identifiers for the users who purchase the tokens, are stored on a blockchain, along with a timestamp denoting the time of purchase and other information. Each token denotes a user's ownership of the file.

If the user wants to alienate (sell, lend, rent, or give away) the file, there is a way to transfer ownership of the file by passing tokens from one user to another and adding new records to the blockchain that establish the new ownership. This way, the blockchain always has a complete and permanent record of the chain of ownership of each file. This is shown in Figure 7: User A purchases a music track and then alienates it to User B by passing a token. Note that although one user can pass a token directly

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[25] *Amazon Music Terms of Use*, AMAZON, https://www.amazon.com/gp/help/customer/display.html?nodeId=201380010 (last updated Apr. 16. 2019).

[26] Vernor v. Autodesk, Inc., 555 F. Supp. 2d 1164 (W.D. Wash. 2008); Disney Enters, v. Redbox Automated Retail, 336 F. Supp. 3d 1146 (C.D. Calif. 2018).

[27] *See, e.g.*, COALA whitepaper, *supra* note 2.

to another, a DSP is still necessary to distribute music files and process alienation as well as purchase transactions.

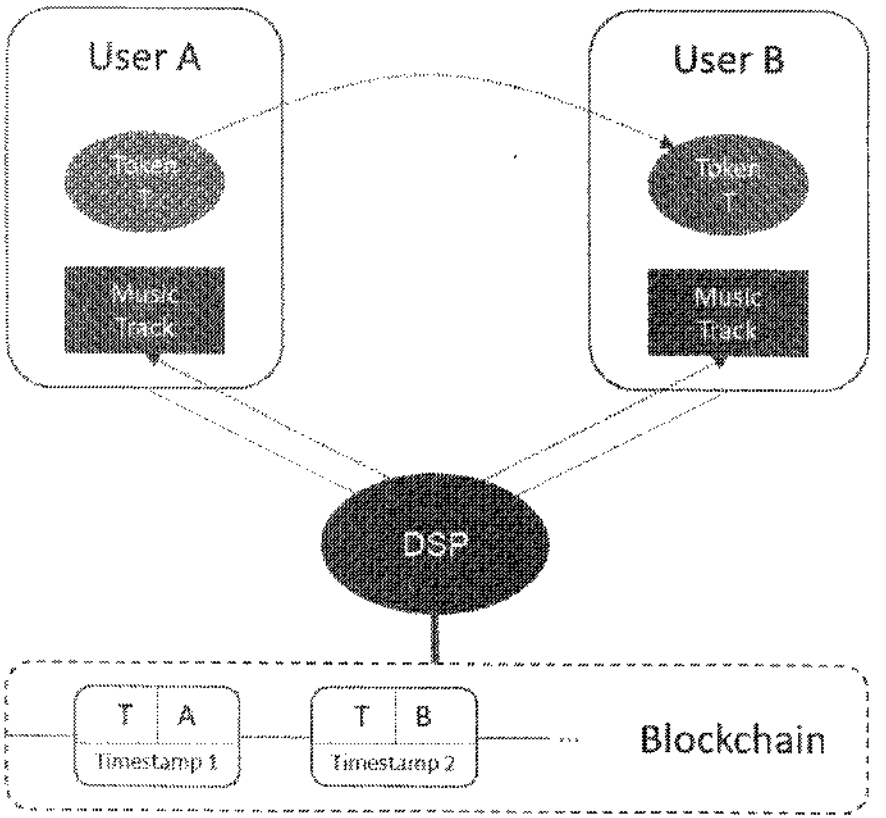

Figure 7: A blockchain-based digital music distribution system stores "ownership" information and enables users to alienate their music files by passing tokens to other users.

A variation on this scheme adds the ability to ensure the authenticity of the file's contents by storing a hash value of the file's contents in the blockchain records.[28] A user can recalculate a file's hash value at any time

[28] A hash value (or hash for short) is a mathematical shorthand for a large piece of data that represents the data almost uniquely as a numerical value. The hash value of a file is calculated by running a certain type of mathematical function on the file's contents to produce the hash value. With a well-designed hash function, two files with the same contents will produce the same hash value, while two files with different contents are highly likely (if not quite 100% certain) to produce different hash values. Hashes are widely used in a variety of authentication and data storage applications.

and compare it to the hash value stored in the blockchain to ensure that the file is authentic.

This scheme could be worthwhile for visual (or audiovisual) artworks. In the art market, the provenance of art objects is very important, as is establishing that an artwork is not a forgery. There are well-known techniques in cryptography to ensure that the identity of each owner is also legitimate, such as digital certificates.[29] Therefore, a digital art market can exist that uses tokens and a blockchain to establish chains of ownership and requires possession of valid tokens as conditions of resale or other alienation of works. A few startup companies such as Verisart and Artory are building blockchain-based provenance and ownership tracking solutions for physical artworks; these could easily be extended to digital art, which is a market in its infancy today.

However, this scheme has scant potential in the digital music market. First, users have come to expect certain features of digital music that a system of tokens and hash values cannot support. Users expect to be able to make copies of files for playing on all their devices. All of the major paid music download services — including those of Apple, Google, and Amazon — have "cloud sync" features that automatically make copies of music files on all of a user's registered devices. This is not compatible with the idea of changing ownership by alienating a single copy of the file, and there is no effective means of ensuring that if a user does this, all of her copies of the file (including backups and so on) are alienated.[30]

Users also expect to be able to make copies of music files that are not exact byte-for-byte copies for legitimate purposes, such as copies that are highly compressed (e.g., a lossless FLAC file compressed to much smaller MP3) or in a different codec (e.g., a Windows Media Audio (WMA) file transcoded to MP4-AAC for playback on Apple devices). The resulting files will not produce the same hash values as the originals and will thus be considered "inauthentic." This type of action is generally recognized as fair use in law when done for personal, non-commercial use.[31]

A technology called *acoustic fingerprinting* offers a partial solution to this problem: it is a complex variation on hashing that produces the same hash value for all files that sound the same, even if the bits and bytes are

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[29] A digital certificate is a piece of data that establishes the identity of a person or device, which is issued by a trusted entity called a *certificate authority*. It is somewhat analogous to a driver's license issued by a state Department of Motor Vehicles.

[30] *See* UNITED STATES COPYRIGHT OFF., DMCA SECTION 104 REPORT (2001), https://www.copyright.gov/reports/studies/dmca/sec-104-report-vol-1.pdf; *see also* Capitol Records, LLC v. ReDigi, Inc., No. 16-2321 (2d Cir. Dec. 12, 2018).

[31] *See, e.g.*, Capitol Records, Inc. v. mp3tunes, LLC, 821 F. Supp. 2d 627 (S.D.N.Y. 2011).

different. Acoustic fingerprinting is currently widely used for other applications, most notably detecting potentially unauthorized uploads to content-sharing services.[32]

However, acoustic fingerprinting does not solve the "authenticity" problem, because the notion of "forgery" is not very relevant in the music industry. Let's assume that "forgery" in music means "recorded cover version of a composition intended to pass as the original artist's sound recording."[33] Current advancements in audio content recognition technology are making it possible, in some cases, to detect cover versions of a given composition; even if this technique were to work very well, it would not be able to distinguish a properly licensed cover version that's meant to be faithful to the original from a "forgery."[34]

The second drawback of this type of B2C blockchain application for music is that consumers do not value ownership of digital music as they do physical music. The clearly ownership-free model of interactive streaming has rapidly become the most lucrative part of the recorded music industry — representing 63% of industry revenue — and is still growing fast, while paid downloads are at 11% of industry revenue and shrinking.[35] Ironically, the non-ownership characteristics of digital music have thrown the true ownership characteristics of physical products into sharp relief: vinyl LPs have been enjoying something of a renaissance since their mid-2000s nadir. Vinyl revenue is now back up to its late-1980s levels and rising,[36] but it's likely much higher than industry figures if used vinyl sales are included.

A related problem with the token scheme is that it does nothing to prevent unauthorized copying — which, regardless of whether such copying is copyright infringement, further undermines the concept of owner-

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[32] *See, e.g.*, Viacom Int'l, Inc. v. YouTube, Inc., 676 F.3d 19 (2d Cir. 2012); UMG Recordings, Inc. v. Veoh Networks, Inc., 665 F. Supp. 2d 1099 (C.D. Cal. 2009).

[33] There have been cases of recording artists exploiting the compulsory mechanical license to create cover versions of hit songs for mildly deceptive purposes. In the 1970s, companies such as K-Tel sold albums of then-current hits performed by cover bands rather than the original artists. More recently, when major pop stars hold material back from streaming services, artists create cover versions and release them on those services so that users who search for the songs find and play the covers. This is far less consequential in the market than, say, a painting claimed to be a Vermeer selling for tens of millions of dollars and turning out to be a forgery.

[34] For example, Todd Rundgren's 1976 *Faithful* album contained licensed covers of 60s pop tunes that were intended to be as close to the originals as possible.

[35] RIAA figures for 2018. Interactive streaming figures include Paid Subscriptions, On-Demand Streaming (Ad-Supported), and Limited Tier Paid Subscriptions.

[36] 2018 RIAA figures attribute over $400 million in revenue to vinyl, up from near zero in 2006.

ship. There is nothing preventing someone from making copies of a file and using them despite not being verifiable as the "owner"; there is also nothing preventing someone from appearing to alienate her files while actually keeping copies of them.[37] A requirement to check the user's identity, such as by digital certificate validation, would not prevent these contingencies unless it were part of a strong DRM scheme governing all uses of the files. But consumers would find strong DRM unacceptable, and it would still restrict users from doing things with their files that they would expect to be able to do, as explained above.

Finally, some proponents of blockchain-based consumer digital music distribution claim that it can enable musical artists to forge more direct relationships with their fans, because fans know that they are getting their music directly from the source.

This seems unlikely. First, basic Internet technologies were supposed to do the same thing — enable artists to eschew intermediaries and reach fans directly — back in the 1990s. Although artists have used Internet technologies such as social media to forge closer relationships with their fans, the same has not been true for actual music distribution. The intermediaries may have changed, but artists still need intermediaries to reach fans and still must contend with them to "rise above the noise."

Second, blockchains will never eliminate the need for service providers that sit between artists and consumers. Artists will need service providers — including some of the same types of service providers discussed in the B2B section above — to manage all of the functions required to distribute music to the public and collect applicable royalties. The service providers may well change, but they will still need to exist.

In all, the idea of using a blockchain to support direct consumer distribution of digital files is not promising, at least not in its current forms. It does not improve much on current paid-download schemes to create a true simulacrum of ownership for digital music, and the market has gravitated to distribution models for digital music that consumers like and that are not based on the idea of ownership.

CONCLUSION

Blockchain technology is still in a very early stage. The 2017 Gartner Hype Cycle for Emerging Technologies[38] indicates that "Blockchain in Media and Entertainment" is in the initial "Innovation Trigger" hype phase and is five to ten years away from mainstream adoption. Gartner predicts that blockchain will follow a well-trodden path of emerging tech-

[37] See *supra* note 30.

[38] *The Reality of Blockchain*, GARTNER (Oct. 16, 2018), https://www.gartner.com/smarterwithgartner/the-reality-of-blockchain.

nologies by falling into a "Trough of Disillusionment" before rising through a "Slope of Enlightenment" into a "Plateau of Productivity" a few years later. In other words, we will soon enter a period of backlash against all the blockchain hype.

Yet hype is valuable when it brings ingredients necessary for innovation, such as talent and funding. Blockchain technology has contributed to a resurgence of energy in the music industry after several years of decline and stagnation. Many startup companies have come into the music space with blockchain-based solutions; here's a partial list at this writing:

- Blokur, Ujo Music, Jaak, Revelator, and Dot Blockchain have focused on rights and royalties management.
- Opus, TokenFM, Voise, Resonate, Choon, and PeerTracks are focusing on B2C music distribution.
- Other startups are using blockchain technology for music-related tasks like crowdfunding, venue licensing, and event ticketing.

In addition, Spotify is known to be working on blockchain-based rights management initiatives; it acquired Mediachain, another startup, in 2017.

As with any new technology, there are bound to be many failed experiments before the worthwhile solutions emerge. We are not at that point yet, but an examination of current problems in the music industry should suggest where those solutions should come from. Yet the true measure of the technology's ubiquity will be its invisibility: we will know when it has truly been incorporated into the music industry when the solutions are in widespread use, but no one uses the term "blockchain" anymore.

THE NEW LEGAL LANDSCAPE FOR TEXT MINING AND MACHINE LEARNING

by MATTHEW SAG*

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*Professor of Law at Loyola University Chicago School of Law. This Article was inspired by my participation in the *National Forum on Intellectual Property and Text Data Mining*, held in Chicago, IL, on April 5-6, 2018. The Forum was funded by the Institute for Museum and Library Services. I have been a member of the HathiTrust Research Center Advisory Board since 2016, however the views expressed are entirely my own. Thanks to Douglas Downey, Eric Goldman, Tonja Jacobi, Matthew Jockers, Ariel Katz, Thomas Margoni, Guy Rub, Zahr Said, Rachael Samberg, Ted Underwood, Spencer Waller, Jessica Selby, Copyright Scholarship Roundtable, and attendees at the Intellectual Property Scholars Conference at UC Berkeley, the Global Congress on Intellectual Property and the Public Interest at American University, and Works in Progress IP at the University of Houston for their advice and comments. Thanks to Amanda Palmer for assistance with research.
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INTRODUCTION

Some people look at the shelves of a library and see a collection of books, each with a different author and owner; each protected by both a physical dust jacket and an incorporeal legal right called copyright. Some of us see more. We see fields of data, and the potential to understand more than just the characteristics and contents of individual books, but also the relationship between different texts and the nature of the collection as a whole. The same principles hold true in any collection of expressive works, whether they be scientific articles, HTML webpages, or high school term papers. Just as the beach is no mere aggregation of grains of sand, a collection of texts can be more than the sum of its parts.

Individually and collectively, copyrighted works have the potential to generate information that goes far beyond what their individual authors expressed or intended. Various methods of computational and statistical analysis of text — usually referred to as text data mining ("TDM") or just text mining — can unlock that information. However, because almost every use of TDM involves making copies of the text to be mined, the legality of that copying has become a fraught issue. One of the most fundamental questions for copyright law in the Internet age is whether the protection of the author's original expression should stand as an obstacle to the generation of insights *about* that expression. How this question is answered will have a profound influence on the future of research across the sciences and the humanities, and for the development of the next generation of information technology: machine learning and artificial intelligence.

In a series of articles and amicus briefs over the past decade, my co-authors and I have proposed and elaborated an answer to this question, a particular theory as to how copyright law should apply to the non-expressive use of expressive works.[1] We have also explained how that theory

[1] *See* Matthew Sag, *Copyright and Copy-Reliant Technology*, 103 Nw. U. L. Rev. 1607 (2009); Matthew Sag, *Orphan Works as Grist for the Data Mill*, 27

should be implemented in terms of copyright law's fair use doctrine. Our theory was tested, and substantially confirmed, in the recent landmark Second Circuit cases of *Authors Guild, Inc. v. HathiTrust* and *Authors Guild, Inc. v. Google, Inc.* (collectively, the *Authors Guild* cases).[2] These cases were a long running drama. The initial complaint in *Authors Guild v. Google* (the *Google Books* case) was filed in 2005;[3] the related case of *Authors Guild, Inc. v. HathiTrust* (the *HathiTrust* case) was filed much later, but was resolved more quickly.[4] Eleven years after the *Google Books* case began, the entire saga was brought to a definitive close when the Supreme Court declined the Guild's petition for certiorari in 2016.[5]

Now that the dust has settled on the *Authors Guild* cases, this Article takes stock of the legal context for TDM research in the United States. This reappraisal begins in Part I with an assessment of exactly what the *Authors Guild* cases did and did not establish with respect to the fair use status of text mining. Those cases held unambiguously that reproducing copyrighted works as one step in the process of knowledge discovery

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BERKLEY TECH. L.J. 1503 (2012); Matthew Jockers, Matthew Sag & Jason Schultz, *Digital Archives: Don't Let Copyright Block Data Mining*, 490 NATURE 29-30 (Oct. 4, 2012). Brief of Digital Humanities and Law Scholars in Support of Defendants' Motion for Summary Judgment, Authors Guild, Inc. v. HathiTrust, 73 F.3d 87 (2d Cir. 2014) (11-CV-06351-HB); Brief of Digital Humanities and Law Scholars in Support of Defendants' Motion for Summary Judgment, Authors Guild, Inc. v. Google, Inc., 804 F.3d 202 (2d Cir. 2015) (1:05-cv-08136-DC); Brief of Digital Humanities and Law Scholars in Support of Defendants-Appellees and Affirmance, Authors Guild, Inc. v. HathiTrust, 73 F.3d 87 (2d Cir. 2014) (No. 12-4547); Brief of Digital Humanities and Law Scholars in Support of Defendants-Appellees and Affirmance in Authors Guild, Inc. v. Google, Inc., 804 F.3d 202 (2d Cir. 2015) (No. 13-4829). Others have also advanced very similar theories. *See, e.g.*, Ed Lee, *Technological Fair Use*, 83 S. CAL. L. REV. 797 (2010); Maurizio Borghi & Stavroula Karapapa, *Non-Display Uses of Copyright Works*, 1 QUEEN MARY J. INTELL. PROP. 21 (2011); ABRAHAM DRASSINOWER, WHAT'S WRONG WITH COPYING (2015); Amanda Levendowski, *How Copyright Law Can Fix Artificial Intelligence's Implicit Bias Problem*, 93 WASH L. REV. 579 (2018) (applying the theory of non-expressive use); *see also* Abraham Drassinower, *Authorship as Public Address: On the Specificity of Copyright Vis-à-vis Patent and Trade-Mark*, 2008 MICH. ST. L. REV. 199, 204 (characterizing copyright as "an exclusive right of public presentation").

[2] Authors Guild, Inc. v. HathiTrust, 755 F.3d 87 (2d Cir. 2014); Authors Guild, Inc. v. Google, Inc., 804 F.3d 202 (2d Cir. 2015).

[3] Class Action Complaint, Authors Guild, Inc. v. Google, Inc., No. 05-CV-8136-DC, 2005 WL 2463899 (S.D.N.Y. Sept. 20, 2005).

[4] Authors Guild, Inc. v. Hathitrust, 755 F.3d 87 (2d Cir. 2014) (No. No. 1:11-cv-06351) (Complaint); The Authors Guild, Inc. v. Hathitrust, (2d Cir. Jan. 6, 2015) (No. 1-11-cv-06351) (voluntary dismissal).

[5] Authors Guild v. Google, Inc., 136 S. Ct. 1658 (2016) (petition for writ of certiorari denied). The Authors Guild did not petition for certiorari in *Authors Guild v. HathiTrust*.

through text data mining was transformative, and thus ultimately a fair use of those works.[6] Part I explains why those rulings followed inexorably from copyright's most fundamental principles. It also explains why the precedent set in the *Authors Guild* cases is likely to remain settled law in the United States.

Parts II and III address legal considerations for would-be text miners and their supporting institutions beyond the core holding of the *Authors Guild* cases. The *Google Books* and *HathiTrust* cases held, in effect, that copying expressive works for non-expressive purposes was justified as fair use. This addresses the most significant issue for the legality of text data mining research in the United States; however, the legality of non-expressive use is far from the only legal issue that researchers and their supporting institutions must confront if they are to realize the full potential of these technologies. Neither case addressed issues arising under contract law, laws prohibiting computer hacking, laws prohibiting the circumvention of technological protection measures (i.e., encryption and other digital locks), or cross-border copyright issues. Furthermore, although *Google Books* addressed the display of snippets of text as part of the communication of search results, and both *Authors Guild* cases addressed security issues that might bear upon the fair use claim, those holdings were a product of the particular factual circumstances of those cases and can only be extended cautiously to other contexts.

Specifically, Part II surveys the legal status of TDM research in other important jurisdictions and explains some of the key differences between the law in the United States and the law in the European Union. It also explains how researchers can predict which law will apply in different situations. Part III sets out a four-stage model of the lifecycle of text data mining research and uses this model to identify and explain the relevant legal issues beyond the core holdings of the *Authors Guild* cases in relation to TDM as a non-expressive use.

I. TEXT DATA MINING RECOGNIZED AS FAIR USE

A. Text Data Mining

TDM is an umbrella term referring to "computational processes for applying structure to unstructured electronic texts and employing statistical methods to discover new information and reveal patterns in the

[6] Authors Guild, Inc. v. HathiTrust, 755 F.3d 87, 97-98 (2d Cir. 2014) (finding the purpose of enabling full-text searching transformative); *id.* at 101 (concluding library digitization for the purpose of permitting full-text searches fair use). Authors Guild, Inc. v. Google, Inc., 804 F.3d 202, 214-20 (2d Cir. 2015) (transformative use); *id.* at 225 (fair use).

processed data."[7] The term "text" in this context is broad enough to include fixed images, sound recordings, and audio-visual works. In an age of information overload, TDM provides invaluable tools for sifting, organizing and analyzing vast amounts of text.[8] Text mining is an essential method of knowledge discovery in the life sciences, the humanities, and linguistics; it is also one of the building blocks of machine learning and Internet search technology. This section highlights some of the uses and applications of text mining across a diversity of fields: life sciences, literary criticism, linguistics, machine learning, and Internet search engines. This review demonstrates some of the many ways that society benefits from text mining, and it underscores how unlikely it is that TDM research could pose a threat to our traditional conception of the interests of copyright owners.

In the life sciences, researchers routinely use TDM to search across disparate disciplines and subfields to uncover previously unnoticed correlations or associations, such as protein-protein interactions and gene-disease associations.[9] For example, in 1986, in an early example of text mining research, using a new method of literature-based knowledge discovery, Don Swanson identified the beneficial effect of fish oil for patients suffering from Raynaud's Disease.[10] In 2005, Hisham Al-Mubaid and Rajit K Singh used TDM to identify different molecules involved in Hunt-

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[7] *See* Eleanor Dickson et al., *Synthesis of Cross-Stakeholder Perspectives on Text Data Mining with Use-Limited Data: Setting the Stage for an IMLS National Forum* 5 (2018); *see also* Marti Hearst, *Untangling Data Text Mining*, PROC. OF THE 37TH ANNUAL MEETING OF THE ASS'N COMPUTATIONAL LINGUISTS 3-10 (1999) (defining text mining as "the discovery by computer of new, previously unknown information, by automatically extracting and relating information from different written resources, to reveal otherwise 'hidden' meanings.").

[8] Jerome H. Reichman & Ruth L. Okediji, *When Copyright Law and Science Collide: Empowering Digitally Integrated Research Methods on a Global Scale*, 96 MINN. L. REV. 1362, 1366 (2012) ("The combination of massive storage capacity, powerful data manipulation techniques, and graphical capabilities has revolutionized both how basic research is conducted and how the resulting knowledge is preserved and disseminated in nearly all fields of science.").

[9] *See* Sophia Ananiadou et al., *Text Mining and its Potential Applications in Systems Biology*, 24 TRENDS IN BIOTECHNOLOGY 571, 571 (2006) (citing Toshihide Ono et al., *Automated Extraction of Information on Protein–Protein Interactions from the Biological Literature*, 17 BIOINFORMATICS 155 (2001); Christian Blaschke et al., *Information Extraction in Molecular Biology*, 3 BRIEFINGS IN BIOINFORMATICS 154 (2002)).

[10] Don R. Swanson, *Fish Oil, Raynaud's Syndrome, and Undiscovered Public Knowledge*, 30 PERSP. BIOLOGY & MED. 7 (1986). Raynaud's Syndrome is a blood disorder potentially causing necrosis and gangrene. Swanson reasoned that when keywords A and C are never mentioned in combination, but are always mentioned with the same set of keywords B, A, and C are indirectly related through B. Swanson applied this ABC-principle in several studies. *See* Wilco W.M. Fleuren & Wy-

ington's Disease and several other life-threatening or debilitating conditions.[11] In all these cases, the insights gleaned from TDM were not reported in the underlying works — they arose from recognizing the patterns between works.

In contrast to the life sciences, the use of text data mining in fields such as English literature is still a relatively new phenomenon;[12] however, a number of recent works illustrate the enormous potential of these methods in the digital humanities.[13] One particularly compelling example is *The Transformation of Gender in English-Language Fiction* by Ted Underwood, David Bamman, and Sabrina Lee.[14] *The Transformation of Gender* is a study of the differences in language used to discuss male-identified and female-identified fictional characters in a corpus of over 100,000 novels in the HathiTrust Digital Library collection, spanning from 1703 to 2009.[15] In the not too recent past, when well-read English professors would discuss no more than a few dozen books in a single paper, reading 100,000

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nand Alkema, *Application of Text Mining in the Biomedical Domain*, 74 METHODS, 97-106 (2015), https://doi.org/10.1016/j.ymeth.2015.01.015.

[11] Hisham Al-Mubaid & Rajit K. Singh, *A New Text Mining Approach for Finding Protein-to-Disease Associations*, 1 AM. J. BIOCHEMISTRY & BIOTECH. 145-52 (2005).

[12] Although, not entirely new. Cambridge University's pioneering Literary and Linguistic Computing Centre dates back to 1964. *See Defining Digital Humanities*, CAMBRIDGE DIGITAL HUMAN., https://www.cdh.cam.ac.uk/cdh/what-is-dh (last visited Apr. 17, 2019).

[13] *See, e.g.*, Xuan Le, Ian Lancashire, Graeme Hirst and Regina Jokel, *Longitudinal Detection of Dementia Through Lexical and Syntactic Changes in Writing: A Case Study of Three British Novelists*, 26 LITERARY & LINGUISTIC COMPUTING (2011) (analyzing over fifty novels by three successful British authors and demonstrating for signs of dementia revealed in changes in the author's work over time. The authors were Iris Murdoch who died with Alzheimer's, Agatha Christie who was suspected of it, and P.D. James who has aged healthily and was used as a control); Jean-Baptiste Michel, et al., *Quantitative Analysis of Culture Using Millions of Digitized Books*, 331 SCIENCE 176 (2011) http://www.sciencemag.org/content/331/6014/176 (a study of linguistic and cultural changes in over five million digitized books); MATTHEW L. JOCKERS, MACROANALYSIS: DIGITAL METHODS AND LITERARY HISTORY (2013); Matthew Wilkens, *The Geographic Imagination of Civil War-Era American Fiction*, 25 AM. LIT. HIST. (Winter 2013); Stefan Dimitrov et al., *Goodreads Versus Amazon: The Effect of Decoupling Book Reviewing and Book Selling*, PROCEEDINGS OF THE NINTH INTERNATIONAL AAAI CONFERENCE ON WEB AND SOCIAL MEDIA (2015) (using web scraping and TDM methods to analyze differences in language in book review platforms for a set of over 2.5 million book reviews).

[14] Ted Underwood, David Bamman & Sabrina Lee, *The Transformation of Gender in English-Language Fiction*, CULTURAL ANALYTICS (Feb. 13, 2018).

[15] The origins of the HathiTrust Digital Library are discussed *infra* at __. https://dl.acm.org/citation.cfm?id=3173932.

books would have been unimaginable.[16] The immense scale of "distant reading" in *The Transformation of Gender* was made possible by layers of algorithms performing different functions. One algorithm defines the boundaries of words; another identifies where one sentence ends and another begins; another classifies the grammatical structure of the text;[17] another identifies the fact that "Tom," "Tom Sawyer," "Mr. Sawyer," and "Thomas Sawyer" are all references to the same character; and yet another identifies probabilistically which words are being used to discuss which characters.[18]

Prior to *The Transformation of Gender*, the orthodox assumption was that the prominence of female characters had surely increased in the nineteenth and twentieth centuries in line with broader social trends. Instead, the study shows that from the nineteenth century through to the early 1960s, the proportion of female identified character space declined steadily.[19] This may be partly explained by the related observation that the proportion of fiction works authored by women decreased over the same period.[20] This trend is significant because, among other reasons, female authors tend to imagine male and female characters with equal intensity,

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[16] *See* JODIE ARCHER & MATTHEW L. JOCKERS, THE BESTSELLER CODE: ANATOMY OF THE BLOCKBUSTER NOVEL 20-21 (2016) (Noting the authors' admiration for the tenacity of Christopher Booker, who "spent thirty years reading hundreds of books in order to put forward his theory that all works of literature, and in fact all stories, fall into seven basic plot types. Perhaps he read a thousand books in forty years." Noting also that a cluster of computers can read the same number of books in a day.)

[17] Grammar in this context includes syntax, semantics, and morphology.

[18] In the field of natural language processing, these processes are referred to as word segmentation, sentence identification, part of speech tagging, and dependency parsing, respectively. Consider the following. *"Stephanie came into the room in a rage and said, 'Dr. Roberts can't code to save his life.'"* Native English speakers know how to read this sentence, but for a computer to make sense of it with any sophistication it must be to be told how to do figure out whether "can't" is one word or two (word segmentation); whether the sentence ends after "life." or after "Dr." (sentence identification); whether "rage" is a noun or a verb (part of speech tagging); and whether the life in question is Stephanie's or Dr. Roberts (dependency parsing). The postscript to Archer & Jockers' *The Bestseller Code* contains a highly accessible discussion of the building blocks of text mining and machine learning. *See* ARCHER & JOCKERS, *supra* note 16, at 218 et seq. For more details of the dependency tagging model used in *The Transformation of Gender*, see David Bamman, Ted Underwood, & Noah A. Smith, *A Bayesian Mixed Effects Model of Literary Character*, *in* 1 ASS'N FOR COMPUTATIONAL LINGUISTICS, PROCEEDINGS OF THE 52ND ANNUAL MEETING OF THE ASSOCIATION FOR COMPUTATIONAL LINGUISTICS 370-79 (2014).

[19] Underwood, Bamman & Lee, *supra* note 14, at 4.

[20] *Id.* at 2. Yet the proportion of non-fiction works authored by women increased at the same time. These trends in authorship were identified by another researcher studying the HathiTrust metadata. *See* Chris Forster, A Walk Through the

whereas male authors consistently devote less than a third of their attention to female characters.[21] However, the decreasing proportion of female authors is not a complete explanation for the decline in female character space, because the trend is also evident in the subset of fiction books written by women.[22]

The second remarkable finding in *The Transformation of Gender* is a better fit for the narrative of increasing gender equality. It is that gender divisions between fictional characters have become less sharply pronounced over the past 170 years. To arrive at this conclusion, Underwood, Bamman, and Lee developed a set of predictive models of character gender identity derived solely from ostensibly non-gendered terms associated with male and female characters.[23] For example, they found that male and female identified characters tend to "read" in equal proportion, but fictive women "felt" considerably more, and imagined men "got" more.[24] Make of that what you will. With these predictive models in hand, the authors of the study then tested how well the models identified the gender of a sample of 84,000 characters in fictional works in the HathiTrust Digital Library.[25] Importantly, that sample was equally weighted across time and between genders.[26] Given the binary assumptions made about gender for the purposes of the study, a model with a 50% accuracy would be no better than flipping a coin. The authors report that their predictive models begin in the period from 1800 to 1850 with an impressive accuracy of roughly 75%; however, from 1850 onwards, the predictive value of models declines steadily, to around 65% by 2000.[27]

The advanced TDM methods used by Underwood, Bamman, and Lee are built, in part, on foundational computational models of linguistic phenomena developed in the field of computational linguistics.[28] Researchers in this field have developed models and tools that are incorporated into speech recognition systems, text-to-speech synthesizers, automated voice response systems, web search engines, text editors, and language instruction software. In turn, computational linguistics research also relies on

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Metadata: Gender and the HathiTrust Data Set (Sept. 8, 2015), http://cforster.com/2015/09/gender-in-hathitrust-dataset.

21 Underwood, Bamman & Lee, *supra* note 14, at 10.

22 *Id.* at 11.

23 I.e., ignoring words like his/her, boy/girl, and husband/wife. *Id.* at 12.

24 *Id.* at 18.

25 *Id.* at 13.

26 It is important to note that the works used to derive the models were not the same as the works used to test them.

27 *Id.*

28 Ivan A. Sag, *Linguistic Theory and Natural Language Processing*, *in* NATURAL LANGUAGE AND SPEECH. (Ewan Klein & Frank Veltman eds., 1991) (explaining why AI needs linguistics).

text mining to develop and refine some of these very same models and tools using real world data.

TDM is also an inherent part of Artificial Intelligence research using machine learning. Machine learning refers to a cluster of statistical and programming techniques that give computers the ability to "learn" from exposure to data, without being explicitly programmed.[29] Machine learning is most valuable when the task at hand involves principles that are difficult to explain or otherwise impossibly complicated. In a task like photo editing, for example, principles like the rule of thirds are objective and easy to explain,[30] but others reflect deeply embedded cultural values.[31] In 2017, researchers from MIT's Computer Science and Artificial Intelligence Laboratory presented a new system that had learned to automatically retouch photos with the finesse of a professional photographer. With no particular guidance on the art of photography, the system learned by studying a set of 5,000 training images each retouched by five different photographers.[32] Closer to home, researchers at the SafeLab project have

[29] The term was coined in 1959 by Arthur Samuel. Arthur L. Samuel, *Some Studies in Machine Learning Using the Game of Checkers, I.*, COMPUTER GAMES I. 335–65 (1988). Machine learning has the potential to produce aesthetic objects that would otherwise be eligible for copyright protection if only they were attributable to human authorship. Researchers have trained computer systems to paint in the style of Vincent van Gogh, Edvard Munch and other masters using AI and machine learning techniques. No doubt, there is much to be said about the place of non-human authorship in the copyright system. *See, e.g.*, James Grimmelmann, *There's No Such Thing as a Computer-Authored Work – and It's a Good Thing; James Grimmelmann, Copyright for Literate Robots*, 101 IOWA L. REV. 657 (2015); Bruce E. Boyden, *Emergent Works*, 39 COLUM. J.L. & ARTS 377, 378 (2015); Annemarie Bridy, *Coding Creativity: Copyright and the Artificially Intelligent Author*, 5 STAN. TECH. L. REV. (2012); William Ralston, *Copyright in Computer-Composed Music: Hal Meets Handel*, 52 J. COPYRIGHT SOC'Y 281 (2005); Pamela Samuelson, *The Future of Software Protection: Allocating Ownership Rights in Computer-Generated Works*, 47 U. PITT. L. REV. 1185 (1986). However, the central question for this Article is not whether a work of art produced by a machine is copyrightable, but whether the copyright in the thousands of artworks studied by the machine as training texts to get that point were infringed in that process.

[30] BERT P. KRAGES, PHOTOGRAPHY: THE ART OF COMPOSITION 40 (2005).

[31] Predictably, some of these cultural values are racist. As Amanda Levendowski recounts, FaceApp's "hot" photo editing feature released in 2017 conflated attractiveness with whiteness by automatically lightening users' skin tones in photos. This was, apparently, "an unfortunate side-effect of the underlying neural network caused by training set bias." *See* Levendowski *supra* note 1, at 585 (citing Elena Cresci, *FaceApp Apologises for 'Racist' Filter That Lightens Users' Skintone*, THE GUARDIAN (Apr. 25, 2017), https://www.theguardian.com/technology/2017/apr/25/faceapp-apologises-for-racist-filter-which-lightens-users-skintone.

[32] Larry Hardesty, *Automatic Image Retouching on Your Phone*, MIT NEWS OFFICE (Aug. 1, 2017), http://news.mit.edu/2017/automatic-image-retouching-phone-0802.

been using machine learning to develop natural language processing tools to predict gang violence in Chicago based on the Twitter behavior of individuals associated with gang activity.[33] It is worth noting here that the transaction costs of clearing rights on 5,000 photos is not too daunting, especially when no single photo is essential and so many photos are available on open licenses on platforms such as Flikr.com. In contrast, negotiations with pseudonymous gang members over copyright licenses seem implausible, to say the least.

For most us, our greatest exposure to text mining comes when we initiate an Internet search. Whether we use Google, Baidu, or Bing, or pose a question out loud to Siri or Alexa, most of us use some form of Internet search on a daily basis,[34] and one of the basic building blocks of any modern search engine is text mining. Internet search engines work by connecting queries — i.e., the words we type into a search box or the questions we pose aloud to our disembodied virtual assistants — to an index of webpages. Deciding which webpages best correspond to which queries is the hard part. The very first search engines simply looked at the titles of pages: in effect, all books were judged by their covers. That changed on April 20, 1994, when Brian Pinkerton's "WebCrawler" went live.[35] WebCrawler was the first web search engine to provide full text search; it worked by traversing the web, copying webpages, and indexing their contents. Every major search engine today uses some kind of web-crawler to go from site to site across the Internet copying webpages. Once copied, these texts are then analyzed and indexed. Like a library catalogue, the output of a search engine does not look anything like a copy of the works it describes, but unlike a traditional card catalogue, search engines rely on the routine and indiscriminate copying of large quantities of expressive works to generate that information.

The examples of TDM described above have some important common features. For computers to "read" text, they must first make a copy of it. However, computer reading is not the same as human reading. Computers read by applying mathematical functions to text to generate abstract statistics. Computers do not comprehend or enjoy copyrighted

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[33] *See generally* SAFELAB, https://safelab.socialwork.columbia.edu/research-projects/natural-language-processing-tools-gang-violence-prevention (last visited Apr. 17, 2019). *See* Desmond Upton Patton et al., *Expressions of Loss Predict Aggressive Comments on Twitter Among Gang-Involved Youth in Chicago*, DIGITAL MEDICINE 1:11 (Mar. 2018); William R. Frey et al., *Artificial Intelligence and Inclusion: Formerly Gang-Involved Youth as Domain Experts for Analyzing Unstructured Twitter Data*, SOCIAL SCIENCE COMPUTER REVIEW, July 18, 2018.

[34] Google alone processes 3.5 billion searches per day on average, see http://www.internetlivestats.com/google-search-statistics/

[35] JOHN BATTELLE, THE SEARCH: HOW GOOGLE AND ITS RIVALS REWROTE THE RULES OF BUSINESS AND TRANSFORMED OUR CULTURE, 41-42 (2005).

works in the way that humans do — they simply process them as raw materials to produce metadata. None of these uses threatens the rights of authors as they have been traditionally understood, and yet each one relies on making digital copies. If copyright law makes such acts of copying illegal, text mining will continue in a limited fashion in some highly centralized domains like modern scientific publishing, and a few special standalone collections that have been cleared for text mining;[36] but TDM research would be severely limited in any domain where rights are held diffusely, such as Internet search, plagiarism detection, the study of twentieth century literature, and the study of social networks. The world will not end if there was no way to reconcile copyright with text mining, but it would be a much poorer place.

B. Non-Expressive Use

1. Copyright, Original Expression, and the Balance of Copyright Law

This section explains how copyright's fundamental distinction between ideas and expression should apply in the modern technological environment and how activities such as text mining are entirely consistent with the traditional scope of copyright. It begins by clarifying the difference between expressive and non-expressive uses of copyrighted works. It demonstrates why allowing TDM and other similar non-expressive uses of copyrighted works without authorization is entirely consistent with the fundamental structure of copyright law.

Ordinarily, the direct or indirect purpose of reproducing an expressive work relates to human appreciation of the expressive qualities of that work. We might, for example, download a film to watch it, or photocopy a magazine article to read it; but it would be very strange to copy a manuscript simply for the thrill of throwing it in the fireplace. The term "non-expressive use" (also referred to by some as "non-consumptive use"[37]) refers to any act of reproduction that is not intended to enable human enjoyment, appreciation, or comprehension of the copied expression as expression.[38] To clarify: suppose a student copies a set of novels thinking that one day she might get around to reading them; this would be an expressive use, even if she never actually realizes her ambition of reading the works. Suppose another student copies the same set of novels so that she

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[36] For two important resources in computational linguistics, see THE OPEN AMERICAN NATIONAL CORPUS, https://www.anc.org (last visited May 30, 2019); *New York Times Annotated Corpus*, LINGUSITIC DATA CONSORTIUM, https://catalog.ldc.upenn.edu/LDC2008T19. (last visited May 30, 2019).

[37] *See infra* notes 123-126 and accompanying text.

[38] *See* Sag, *Copy-Reliant Technology*, *supra* note 1.

can use software to scan the texts to identify patterns of speech, unusual relationships, or simply to tally the frequency of particular words; this would be a non-expressive use. The latter use is non-expressive because it was undertaken to derive meta-level information about the works and not to benefit from the expression within the works. To be clear, the same action can be expressive or non-expressive depending on the purpose for which it is undertaken.

This distinction between expressive and non-expressive uses of copyrighted works is essential to understanding how copyright should apply to TDM. Allowing text mining and other similar non-expressive uses of copyrighted works without authorization is entirely consistent with the fundamental structure of copyright law because, at its heart, copyright law is concerned with the communication of an author's original expression to the public. TDM and other non-expressive uses do not communicate original expression to the public (i.e., to any human reading audience for the purpose of being read, understood, or appreciated). As such, even though these uses involve technical acts of copying, they do not conflict with the copyright owner's exclusive rights.

As stated in the United States Constitution, copyright's motivating purpose is "to promote the Progress of Science and useful Arts."[39] At least in the United States, copyright law does not exist primarily to recognize or validate the natural rights of authors vis-à-vis their creations; its purpose is rather to encourage the creativity of authors and to promote the creation and dissemination of works of authorship for the benefit of society.[40] This does not demean the interests of authors, it empowers them, because, as the courts have long recognized, authorship is a cumulative process: "Every book in literature, science and art, borrows, and must necessarily borrow, and use much which was well known and used before."[41] As the Supreme Court has observed numerous times, the promotion of science and the useful arts requires a balance between "the interests of authors and inventors in the control and exploitation of their writings and discoveries on the one hand, and society's competing interest in the free flow of ideas, information, and commerce on the other hand."[42] Where the law strikes that balance dictates what the creators of new works

[39] U.S. CONST. art. I, § 8, cl. 8.

[40] Eldred v. Ashcroft, 537 U.S. 186 (2003). Of course, one could reach the same result under many natural rights theories of copyright, so long as the natural right of the author framed in terms of her right to communicate.

[41] Campbell v. Acuff-Rose, 510 U.S. 569, 575 (quoting Emerson v. Davies, 8 F. Cas. 615, 619 (No. 4,436) (C.C.D. Mass. 1845)).

[42] Harper & Row Publishers, Inc. v. Nation Enters., 471 U.S. 539, 580 (1985) (quoting Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 429 (1984)).

may copy and adapt without permission and, conversely, the extent of use that copyright owners may control.

This concept of balance in copyright law is essential, but it is also easily misunderstood. The balance that copyright law strives for is not just some ad hoc compromise or a shifting equilibrium of whatever might seem to maximize social welfare minute-by-minute. Copyright is not an instrument of raw social policy: rather, copyright embodies a set of principles that (we hope) tend to the advantage of society as a whole.[43] The current benefits and the enormous potential of TDM research certainly provides a significant clue as to how copyright questions relating to text mining should be resolved, but they are not conclusive. After all, copyright law does not protect even the most valuable recipes[44] but it does grant exclusive rights in the worst imaginable poetry.[45] What is conclusive is that, as this section will show, recognizing TDM and other non-expressive uses as fair use is consistent with the fundamental structure of copyright law.

Copyright law has a deep fundamental structure that revolves around the protection of original expression. Original expression is what makes a work copyrightable in the first place,[46] and the contribution of original expression and control over the final form of that expression is what distinguishes co-authors from mere assistants.[47] Of particular relevance for present purposes, the exclusive rights of the copyright owner are generally defined by and limited to the communication of original expression to the public. Sometimes these definitions and limitations are explicit, as with the rights of *public* performance and *public* display;[48] sometimes they are implicit, as the following paragraphs demonstrate.

The centrality of original expression is most obvious with respect to the distinction that copyright law draws between ideas and their expres-

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[43] *See* Shyamkrishna Balganesh, Copyright as Legal Process: The Transformation of American Copyright Law (working paper on file with the author) (difference between policy and principles).

[44] Publ'ns Int'l, Ltd. v. Meredith Corp., 88 F.3d 473, 481 (7th Cir. 1996).

[45] The worst imaginable *human* poetry. Vogon poetry is the product of an alien race and is thus not covered by human-centric copyright treaties like the Berne Convention. *See generally* DOUGLAS ADAM, THE HITCHHIKER'S GUIDE TO THE GALAXY (1979). On the subject of extra-terrestrials and copyright, see ROB REID, YEAR ZERO: A NOVEL (2012).

[46] Feist Publ'ns, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 345 (1991) ("The *sine qua non* of copyright is originality. To qualify for copyright protection, a work must be original to the author.").

[47] To qualify as a co-author of a joint work requires a mutual intention that separate contributions be merged into inseparable or interdependent parts of a unitary whole. 17 U.S.C. § 101 (2011); 17 U.S.C. § 201 (2012). In many cases, control over the work will be the most important factor in establishing that intention or the lack thereof. *See* Aalmuhammed v. Lee, 202 F.3d 1227, 1235 (9th Cir. 2000).

[48] 17 U.S.C. §106(4), (5), (6) (2012).

sion, and between facts and their expression (usually referred in abbreviated form as the "idea-expression distinction" or "the idea-expression dichotomy").[49] At its simplest, the idea-expression distinction ensures that a copyright owner cannot prevent the ordinary reader from extracting and reproducing the facts or ideas embodied in the work.[50] The distinction is one of the most fundamental principles in copyright law. In 1879, the Supreme Court famously held in *Baker v. Selden* that copyright in an explanatory text on bookkeeping gave the author no exclusive rights to the novel system of accounting disclosed therein.[51] As the Court explained: "The description of the art in a book, though entitled to the benefit of copyright, lays no foundation for an exclusive claim to the art itself."[52] The principle that copyright in an expressive work does not give the author any rights in the facts, ideas, or methods of operation communicated in that work is longstanding at common law and was expressly incorporated into the 1976 revision of the Copyright Act.[53]

The idea-expression distinction is essential for any copyright system that aims to foster a vibrant and creative intellectual ecosystem. In the United States, it is also constitutionally required. As the Supreme Court explained in *Harper & Row*, "copyright's idea/expression dichotomy strikes a definitional balance between the First Amendment and the Copyright Act by permitting free communication of facts while still protecting an author's expression."[54] The Court later added, in *Eldred v. Ashcroft*, that the idea-expression distinction is one of copyright's "built-in First Amendment accommodations" and that as a result of the idea-expression distinction, "every idea, theory, and fact in a copyrighted work becomes instantly available for public exploitation at the moment of publication."[55]

As the Court in *Eldred* made clear, the idea-expression distinction is just as concerned with facts as ideas. Copyright law clearly distinguishes between facts and the expression of facts, providing no protection for the former and only limited protection for the latter. In the 1991 case, *Feist Publications, Inc. v. Rural Telephone Service Co., Inc.*, the Supreme Court

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[49] Note that "idea" in this formulation should be read as shorthand for those elements of a work that by their nature are not protected by copyright, whether they be ideas, concepts, processes, discoveries, or facts, or other unprotectable elements.

[50] Feist Publ'ns, Inc. v. Rural Tel. Serv. Co., Inc., 499 U.S. 340, 349–50 (1991).

[51] 101 U.S. 99 (1879).

[52] *Id.* at 105.

[53] 17 U.S.C. § 102(b) (2012) ("In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such a work.").

[54] Harper & Row, Publishers, Inc. v. Nation Enters., 471 U.S. 539, 556 (1985).

[55] Eldred v. Ashcroft, 537 U.S. 186, 220 (2003).

ruled that copying listings from a telephone directory did not infringe the copyright in that directory because the information itself was not copyrightable. *Feist* also held that for compilations of facts to qualify for copyright protection, the compilation as a whole would need to exhibit some kind of creative authorial input. The Court held that the telephone monopoly's routine selection and organization of names, numbers, and addresses in a telephone directory exhibited "no creativity whatsoever."[56]

The idea-expression dichotomy is not simply an American gloss on copyright law; it is recognized as fundamental to the very notion of copyright in almost every nation. The origin of the distinction between ideas and expression in copyright law has been traced back to the German philosopher Johann Gottlieb Fichte in his 1793 *Proof of the Unlawfulness of Reprinting: A Rationale and a Parable*.[57] In *Autodesk, Inc. v. Dyason (No. 2)*, the Australian High Court said that the idea-expression dichotomy was "the dominant principle of copyright law."[58] In Canada, too, copyright protects the expression of ideas in literary, dramatic, musical, and artistic works, rather than ideas in and of themselves.[59]

In *SAS Institute, Inc. v. World Programming, Ltd.*, the European Court of Justice recognized that although "computer programs are protected by copyright as literary works within the meaning of the Berne Convention . . . the ideas and principles which underlie any element of a computer program, including those which underlie its interfaces, are not protected by copyright."[60] Classic statements of the idea-expression dichotomy can be found in nineteenth-century English copyright cases, such as Lord Justice Lindley's statement in *Hollinrake v. Trustwell* that: "Copyright does not extend to ideas, or schemes, or systems, or methods; it is confined to their expression; and if their expression is not copied, the copyright is not infringed."[61] This is not to suggest that every nation sees the boundary between ideas and expression in exactly the same way. Judges

[56] Feist Publ'ns, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340 (1991).

[57] FICHTE: PROOF OF THE UNLAWFULNESS OF REPRINTING, BERLIN (1793), PRIMARY SOURCES ON COPYRIGHT (1450–1900) (Lionel Bently & Martin Kretschmer eds.), www.copyrighthistory.org/record/d_1793; *see also* Friedemann Kawohl & Martin Kretschmer, *Johann Gottlieb Fichte, and the Trap of Inhalt (Content) and Form: An Information Perspective on Music Copyright*, 12 INFO. COMM. & SOC'Y 205, 214 (2009).

[58] Autodesk, Inc. v. Dyason (No. 2), (1993) 176 CLR 300, 303 (Mason, C.J.); *see also Victoria Park Racing and Recreation Grounds Co., Ltd. v. Taylor*, (1937) 58 CLR 479, 498 (Latham, C.J.).

[59] CCH Canadian, Ltd. v. Law Soc'y of Upper Canada, 2004 SCC 13 (CanLII), [2004] 1 S.C.R. 339, ¶ 8; Cinar Corp. v. Robinson, [2013] 3 SCR 1168, 2013 SCC 73 (CanLII), ¶ 24.

[60] *See* C-406/10 SAS Inst., Inc. v. World Programming, Ltd., ECLI:EU:C:2012:259 [2012] at 30-31.

[61] Hollinrake v. Trustwell, (1894) 3 Ch. 420.

in the United Kingdom attest to the importance of the idea-expression dichotomy, but also caution against simply transplanting United States authorities on this point.[62] Differences of implementation notwithstanding, the principle is nearly universal. As Paul Goldstein and Bernt Hugenholtz summarize: "Every mature copyright system withholds protection from ideas and other building blocks of literary and artistic expression[.]"[63]

Somewhat surprisingly, the distinction between ideas and their expression is only implicit in the Berne Convention for the Protection of Literary and Artistic Works ("Berne Convention"), but what Berne left unstated, the TRIPs Agreement made explicit. To elaborate: although the Berne Convention does not expressly invoke the idea-expression distinction, it does define protectable copyright subject matter in Article 2(1) as "every production in the literary, scientific and artistic domain, whatever may be the mode or form of its *expression*."[64] This implication is further reinforced by its Article 2(8), which excludes the "news of the day" and "miscellaneous facts having the character of mere items of press information" from the scope of copyright protection.[65] Whatever ambiguity was left in the Berne Convention was resolved in 1994 with the adoption of the Trade-Related Aspects of Intellectual Property or "TRIPs" Agreement. TRIPs is the most significant international agreement on uniform standards of intellectual property protection because it is directly tied into the dispute resolution system of the World Trade Organization.[66] Article 9(2) of TRIPs provides: "Copyright protection shall extend to expressions and not to ideas, procedures, methods of operation or mathematical concepts

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[62] *See* Ibcos Computers, Ltd. v. Barclays Mercantile Highland Fin., Ltd., (1994) FSR 289 (Jacob, J.); *see also* Designers Guild [2000] 1 WLR 2416 (Lord Hoffman noting that the idea-expression dichotomy "needs to be handled with care").

[63] PAUL GOLDSTEIN & P. BERNT HUGENHOLTZ, INTERNATIONAL COPYRIGHT: PRINCIPLES, LAW, AND PRACTICE 220 (3d ed. 2013)

[64] Berne Convention art. 2(1) (emphasis added); *see also* JANE C. GINSBURG & EDOUARD TREPPOZ, INTERNATIONAL COPYRIGHT LAW U.S. AND E.U. PERSPECTIVES: TEXT AND CASES 284 (2015); GOLDSTEIN & HUGENHOLTZ, *supra* note 63, at 220.

[65] Berne Convention art. 2(8).

[66] Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 183 (1994) [hereinafter TRIPs Agreement]. Negotiated at the end of the Uruguay Round of the General Agreement on Tariffs and Trade in 1994, the TRIPs Agreement was a watershed moment in intellectual property. The TRIPs Agreement binds all of the member nations of the World Trade Organization (WTO) to certain minimum standards of IP protection and incorporates several preexisting IP agreements by reference, thus increasing their membership and linking them to the WTO's dispute resolution system.

as such."[67] This succinct provision constitutes both a mandatory inclusion vis-à-vis expression and a mandatory exclusion regarding ideas, procedures, methods of operation and mathematical concepts.

What is the significance of the idea-expression dichotomy for TDM? The idea-expression dichotomy limits the rights of the copyright owner to the expressive elements of the author's work. In a world of analog works printed on paper or etched in vinyl, this is achieved by simply holding that the copying of facts and ideas alone does not infringe.[68] Preserving the idea-expression dichotomy in the digital world means recognizing that copying a work for purely non-expressive purposes also does not infringe.

Copyright's focus on the communication of original expression to the public is also evident in several other aspects of copyright law, including the threshold of substantial similarity, which is the test of copyright infringement for works that are not identical;[69] the scope of the publisher's collective right; and the general refusal of courts to base a finding of copyright infringement on unpublished drafts.[70] In prior works I have expanded on these points in detail,[71] but for present purposes it is sufficient to note that these are not merely isolated examples; they are illustrations of a more general principle — the copyright owner's exclusive rights are defined by and limited to the communication of the author's original expression to the public.

2. *Applying the Principle of Non-Expressive Use*

Once it becomes clear that the rights afforded by copyright relate to original expression qua expression, it should also be self-evident that non-expressive uses of works do not undermine the protection that copyright law offers. The only question is: how should copyright give effect to such a principle?

This question is easily answered. Fair use and its historical antecedents have been part of copyright law since very shortly after the enactment of the first copyright act, the English Statute of Anne in 1710.[72] Fair use plays a vital role in promoting discovery, encouraging learning, and ena-

[67] *Id.* art. 9(2). Article 2 of the WIPO Copyright Treaty contains similar language.

[68] Feist Publ'ns., Inc. v. Rural Tel. Serv. Co., Inc., 499 U.S. 340 (1991); *see also* Hoehling v. Universal City Studios, Inc., 618 F.2d 972, 978 (2d Cir. 1980) ("To avoid a chilling effect on authors who contemplate tackling an historical issue or event, broad latitude must be granted to subsequent authors who make use of historical subject matter, including theories or plots.).

[69] *See* Sag, *Copy-Reliant Technology*, *supra* note 1, at 1632–34.

[70] *Id.* at 1634–36.

[71] *Id.*

[72] Matthew Sag, *The Pre-History of Fair Use*, 76 BROOK. L. REV. 1371, 1381–1382 (2011).

bling creativity and freedom of expression because it "permits and requires courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster."[73] Thus, fair use provides a mechanism for courts to align copyright with its constitutional purpose. However, the fair use doctrine is not an unlimited grant of policy discretion; fair use has an internal logic that aligns with the underlying structure of copyright law. In asking courts to apply the fair use doctrine with a focus on expressive substitution is not to assign them extra homework; rather, it gives them a guiding principle to make sense of what might otherwise seem like an overbroad delegation of policy-making to the judicial branch.

The case for implementing the principle of non-expressive use as fair use seems overwhelming, but there is an alternative view worth considering. Readers of a certain philosophical bent may be attracted to the idea that a copy made for a non-expressive purpose is not actually a copy at all; much like a tree falling in an empty forest is said to make no sound.[74] This approach has its merits, but as explained in more detail below, it is difficult to reconcile with Congress' reaction to the Supreme Court's decision in *White-Smith v. Apollo*[75] and with the inclusion of works such as computer programs within the scope of copyright. Nor is the "empty forest/no sound" approach to reproduction likely to yield any great payoff in terms of judicial economy.

In 1908, the Court in *White-Smith* held that music encoded in the mechanical cylinder of a player-piano was not a "copy" because the player-piano rolls were not human-readable: they were "not made to be addressed to the eye as sheet music, but they form a part of a machine[.]"[76] Congress responded to the *White-Smith* decision by amending the definition of a copy in the Copyright Act of 1909, making it clear that actual human readership or direct human readability were not required.[77] Instructions encoded in machine-readable memory that could reproduce the sound but were unintelligible to humans qualified as "copies" in the relevant sense. The modern Copyright Act takes the same view. It gives

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[73] Campbell v. Acuff-Rose, 510 U.S. 569, 577 (1994) (quoting Stewart v. Abend, 495 U.S. 207, 236 (1990)) (internal quotations omitted).

[74] GEORGE BERKELEY, A TREATISE CONCERNING THE PRINCIPLES OF HUMAN KNOWLEDGE (1710). Abraham Drassinower takes this approach in arguing that a work of authorship is not a tangible or intangible thing but instead a communicative act; *see also* ABRAHAM DRASSINOWER, WHAT'S WRONG WITH COPYING, Kindle Location 210 (2015).

[75] 209 U.S. 1 (1908).

[76] *Id.*

[77] Peter DiCola & Matthew Sag, *An Information-Gathering Approach to Copyright Policy*, 34 CARDOZO L. REV. 173, 199-202 (2012) (recounting the history of the *White-Smith* decision).

copyright owners the exclusive right "to reproduce the copyrighted work in copies" and defines copies as "material objects . . . in which a work is fixed . . . and from which the work *can* be perceived, reproduced, or otherwise communicated."[78] Fidelity to this history strongly suggests that the mere fact that copies of works made for non-expressive purposes are unlikely to be read by humans does not take them outside the statute's definition of a copy. Non-expressive copies are still "reproduction[s] in copies" in the relevant sense.

Furthermore the "empty forest/no sound" approach to reproduction is also problematic when applied to copyright's irregular subject matter, particularly computer software. Congress amended the Copyright Act in 1980 to expressly include software within the ambit of copyrightable subject matter; it did so with seemingly little regard for the ensuing logical puzzles this would create.[79] Software may be expressive, but it is primarily functional; and yet, as discussed above, copyright generally disclaims protection for functionality.[80] If a copy made for a non-expressive use is not a copy at all, it is hard to explain how software piracy amounts to copyright infringement. Suppose that instead of paying for a license to the latest version of some statistics software, I simply copied it without authorization and used it to run regressions. Strictly speaking, my use would be non-expressive because I only observe and only care about the functionality of the work, not its expression. To protect software as Congress intended, courts must show some flexibility in applying a number of general principles of copyright law. Once we admit that courts should apply the principle of non-expressive use with sensitivity to the nature of the copyrighted work, this kind of contextual assessment makes more sense within the framework of the fair use doctrine.

Finally, adopting a per se rule with respect to non-expressive use is unlikely to lead to any great judicial economy; it will simply shift the focus of argument from substantive questions framed around the fair use inquiry to the same questions expressed in terms of whether the conduct truly meets the category definition. There is no need for courts to engage in the mental gymnastics of puzzling out when a copy is not a copy when the relevant principles can easily be applied within the established framework of the fair use doctrine. For these reasons, at least in the United States, the fair use doctrine provides a more natural place for courts to implement the principle that the copyright owner's exclusive rights are defined by and

[78] 17 U.S.C. §§ 101, 106(1) (2012) (emphasis added).

[79] Computer Software Copyright Act of 1980, Pub. L. 96-517, § 10, 94 Stat. 3028 (codified at 17 U.S.C. § 101 (2012) (as amended by Pub. L. 96-517, § 10(a)).

[80] 17 U.S.C. § 102(b) (2012).

limited to the communication of the author's original expression to the public.[81]

3. Precedent Consistent with the Theory of Non-Expressive Use Prior to the Authors Guild Cases

The only reason why courts had not expressly held that the non-expressive use of a copyrighted work is fair use prior to the *Authors Guild* cases was that, until the advent of digital technology, the idea that anyone would copy something for any reason other than to allow humans to read it would have seemed farfetched. It is only in the digital age that we have seen processes of knowledge discovery that involve copying texts for non-reading purposes. In the few cases that have presented this issue, courts have "not" generally not hesitated in holding non-expressive uses to be non-infringing, although they have not adopted this precise terminology and they have always clearly articulated the fundamental reasons why. A review of the case law on software reverse engineering, image search technology, and plagiarism detection shows that courts have implemented in substance a principle of non-expressive use in a number of digital technology and Internet cases.

a) Reverse engineering

The earliest examples of the principle of non-expressive use are in cases addressing the legality of software reverse engineering. Computer software is written in human readable source code, but it is typically distributed in object code, a string of ones and zeros that is only readable by computers. Software is protected by copyright, but all software performs functions and contains ideas and information that are not entitled to copyright protection. Access to these uncopyrightable components is essential to building inter-operable programs that will work with the original software. The question of whether reverse engineering software to extract these non-copyrightable keys to inter-operability was legal, became a critical issue in conflicts between independent videogame publishers and the makers of videogame consoles in the early 1990s.

In 1991, the videogame company Accolade bought a Sega Genesis game console and a number of Sega licensed game cartridges and set about cracking open their secrets. The courts had already decided that reverse engineering object code did not violate trade secret law.[82] How-

[81] Indeed, as I plan to explore in a future work, this is one of the fundamental organizing principles of the fair use doctrine.

[82] *See, e.g.*, Acuson Corp. v. Aloka Co., Ltd., 257 Cal. Rptr. 368 (Ct. App. 1989); *see generally* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 43 (Am. Law Inst. 1995) ("Independent discovery and analysis of publicly available products or information are not improper means of acquisition."); UNIF. TRADE SECRETS ACT

ever, because reverse engineering involved making several technical copies of the software — albeit only as an intermediate step toward the production of an inter-operable game that did not by itself infringe copyright — the question was whether these intermediate copies constituted copyright infringement.[83] In *Sega Enterprises, Ltd. v. Accolade, Inc.*,[84] the Ninth Circuit addressed the question as an application of the fair use doctrine, but its decision centered around the idea-expression distinction. The court stressed the importance of protecting the work's expression from exploitative duplication, while at the same time enabling innovation and competition by preserving the unprotected status of ideas and functional components within the software. It applied the fair use factors through this lens. Writing for the Court of Appeals, Judge Reinhardt noted that reverse engineering was the only way for Accolade to gain access to the unprotectable elements hidden in Sega's object code. He concluded that: "[w]here there is good reason for studying or examining the unprotected aspects of a copyrighted computer program, disassembly for purposes of such study or examination constitutes a fair use."[85] The court's comment that "Accolade copied Sega's code for a legitimate, essentially non-exploitative purpose" is revealing:[86] the court understood that the purpose of copyright law was to protect original expression and it saw the competitive reuse of non-expressive elements of the code as an "essentially non-exploitative purpose."[87] As the court said later in the judgment, there is a "distinction between the copying of works in order to make independent creative expression possible and the simple exploitation of another's creative efforts."[88]

Almost a decade later, the Ninth Circuit addressed the same issue in *Sony Computer Entertainment v. Connectix*,[89] centering its fair use analysis on the need to preserve the idea-expression dichotomy. "[W]e are called upon once again to apply the principles of copyright law to computers and their software, to determine what must be protected as expression and what must be made accessible to the public as function."[90] Consistent with its decision in *Sega*, the court held that intermediate copying of software could be protected as fair use if the copying was necessary to gain access to the functional elements of the software. It expressly rec-

§ 1 (cmt.) (Unif. Law Comm'n 1985) (proper means includes discovery by reverse engineering).

83 Sega Enters., Ltd. v. Accolade, Inc., 977 F.2d 1510 (9th Cir. 1992).

84 *Id.*

85 *Id.* at 1520.

86 *Id.* at 1523.

87 *Id.*

88 *Id.*

89 Sony Computer Entm't, Inc. v. Connectix Corp., 203 F.3d 596 (9th Cir. 2000).

90 *Id.* at 598.

ognized that "the fair use doctrine preserves public access to the ideas and functional elements embedded in copyrighted computer software programs."[91]

b) Search

As discussed above, Internet search engines rely on software agents that "crawl" the web and copy billions of copyrighted works. Somewhat surprisingly, no Internet search engine has ever been sued for copyright infringement in relation to all this copying.[92] However, there are cases that come close. In particular, two key court of appeals cases in the Ninth Circuit addressed whether the display of images in the context of a menu of search results violated copyright, although the plaintiffs did not challenge the rampant copying that produced the underlying search engine index.

In both *Kelly v. Arriba Soft Corp.* and *Perfect 10 v. Amazon.com, Inc.*,[93] the copyright owners of various photographs sued visual search engines for the way their works were used by those services. At the time at least, Internet search engines that focused on images relied on matching search terms with text associated with images on the Internet. The search engines in *Kelly* and *Perfect 10* worked as follows: if the text associated with an image file was responsive to a user's search query, the search engine would display a small, low-resolution "thumbnail" of the image in a menu of search results, giving the user something like a police lineup of images from which to choose. Those thumbnail images were displayed from copies made by the search engine and stored on the search engine's servers. However, once the user selected a particular thumbnail, the user's Internet browser would be directed to the original location to retrieve the full-scale image.[94]

Both *Perfect 10* and *Arriba Soft* held that these image displays were fair use. Both cases rely on the distinction between the use of a work for its original expressive purpose and the use of the work for some orthogonal purpose. As such, they are both consistent with the rationale favoring

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[91] *Id.* at 603.

[92] At least, I am not aware of any. The case that comes closest is *Field v. Google Inc.*, 412 F. Supp. 2d 1106 (D. Nev. 2006) but the complaint in that case was directed towards the way Google made cached versions of webpages available through its search function, not the copying that produced the search index itself.

[93] 336 F.3d 811 (9th Cir. 2003); 508 F.3d 1146 (9th Cir. 2007).

[94] This distinction matters because the search engine could only be held directly liable for copyright infringement for images sourced from its own servers; directing a user to someone else's computer system could still qualify as copyright infringement, but only with specific knowledge of the underlying infringement. In United States copyright law, this distinction is referred to as the "server test." *See* Perfect 10, Inc. v. Amazon.com, Inc., 508 F.3d 1146 (9th Cir. 2007).

non-expressive use, even though the challenged uses do not exactly fit this category.

c) Plagiarism detection software

The Internet gives modern students unparalleled access to information, analysis, and opinion. The downside of this diversity of sources is that it facilitates plagiarism like never before. One increasingly common response to the problem of Internet-enabled plagiarism is to require students to pass their work through one of a variety of computerized plagiarism detection systems. These systems detect improper and unaccredited copying by comparing new papers to an archive of material available on the Internet and to databases of previously submitted papers.

In 2006, two Virginia high school students who had been compelled by their school to submit their papers to Turnitin.com sued the service provider, iParadigms, for copyright infringement. Both the district court and the Fourth Circuit Court of Appeals held that the defendant's use of the term papers was protected by fair use.[95] The courts did not expressly frame their analyses in terms of non-expressive use, but that is the subtext of both decisions. Both courts found that the character and purpose of iParadigms' use of the student works was transformative, because the defendant "use[d] the papers for an entirely different purpose, namely, to prevent plagiarism and protect the students' written works from plagiarism."[96] The Fourth Circuit emphasized that "iParadigms' use of plaintiffs' works had an *entirely different function and purpose* than the original works."[97] Plagiarism detection software neatly encapsulates the paradox of non-expressive copying: it relies on access to entire copies of student term papers and any works from which the student might have illicitly copied; but does not necessarily cause any of the copyrighted content it processes to be displayed to, or read by, end users. As the Court of Appeals explained, "iParadigms' use of the plaintiffs' works related solely to the comparative value of the works and did not diminish the incentive for creativity on the part of students."[98]

In sum, in several cases where the courts have confronted the interaction of copyright and new technology, we have already seen the logic of the non-expressive use principle at work.

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95 A.V. *ex rel.* Vanderhye v. iParadigms, LLC, 562 F.3d 630, 645 (4th Cir. 2009).

96 *Id.* at 638.

97 *Id.* at 639 (emphasis added).

98 *Id.* at 640 (internal citations and quotations omitted).

C. *Applying the Fair Use Doctrine to TDM and Other Non-Expressive Uses*

This section sets out in detail how the fair use doctrine should be applied to ensure that copyright continues to protect original expression without impeding non-expressive uses of that content. It introduces the fair use framework and shows how that framework should be applied to non-expressive use in general, and to TDM in particular. Along the way, it also reviews the caselaw leading up to the *Authors Guild* decisions and how our arguments with respect to non-expressive use were received in the *Authors Guild* cases.

The broad outlines of fair use can be summarized quite simply: the fair use doctrine permits copying (or distribution, display, or performance) without permission in certain circumstances, depending on the *purpose*, *proportionality*, and *effect* of that copying. Copying that amounts to fair use is not merely excused, it is not infringement and thus requires no further license or excuse. Courts in the United States apply the fair use doctrine through a four-factor test set out in § 107 of the Copyright Act,[99] although the factors are interrelated and should be treated as a framework for analysis rather than a scorecard. Indeed, the Supreme Court's most recent fair use decision, *Campbell v. Acuff-Rose*, rejects any attempt to reduce the four statutory factors to a checklist: *Campbell* reminds us that the codification of fair use in the 1976 Copyright Act was not intended to change what is essentially a common law doctrine; and that the statutory factors are interrelated; and thus, that the factors must be "explored, and the results weighed together, in light of the purposes of copyright."[100]

1. *The Purpose and Character of the Work*

a) Transformative Use

The first fair use factor calls for an evaluation of "the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes."[101] Since the Supreme Court's 1994 decision in *Campbell*, the central focus of the first factor has been on whether the defendant's use is "transformative."[102] Transformative use is

[99] Those factors are: "(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work." *See* 17 U.S.C. § 107 (2012).

[100] *Campbell*, 510 U.S. at 578.

[101] 17 U.S.C. § 107(1) (2012).

[102] *Campbell*, 510 U.S. at 579; *see generally* Neil Weinstock Netanel, *Making Sense of Fair Use*, 15 LEWIS & CLARK L. REV. 715 (2011) (tracing the rise to prominence

not only the key to the first fair use factor in most cases, it is a pervasive consideration that effects the evaluation of all of the other factors.[103]

Conventional transformative uses, such as criticism, commentary, and parody, usually involve substantial modifications to a work; however, literally changing the original work is neither necessary nor sufficient to establish transformativeness. The real question for transformative use is whether the defendant's use "adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message."[104] In both of the image search cases, *Kelly* and *Perfect 10*, for example, the courts found that displaying low-resolution thumbnail images as part of a menu of search results was transformative.[105] In *Perfect 10*, the court held that the search engine defendant's use of thumbnails was "highly transformative." It continued:

> Although an image may have been created originally to serve an entertainment, aesthetic, or informative function, a search engine transforms the image into a pointer directing a user to a source of information. Just as a parody has an obvious claim to transformative value because it can provide social benefit, by shedding light on an earlier work, and, in the process, creating a new one, a search engine provides social benefit by incorporating an original work into a new work, namely, an electronic reference tool. Indeed, *a search engine may be more transformative* than a parody because a search engine provides an entirely new use for the original work, while a parody typically has the same entertainment purpose as the original work.[106]

These thumbnails were complete copies after a fashion, but their size and quality suggested that they would not substitute for the original images. These same features also made it clear that the thumbnail images were being used as a pointing device toward the original images, an entirely different purpose to the original photos.[107] The copying and display of thumbnail images in *Kelly* and *Perfect 10* were not non-expressive use as such; after all, allowing users to see the image was essential to making

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of the transformative use paradigm); *see also* Clark D. Asay, *Is Transformative Use Eating the World*, 60 B.C. L. Rev. (2020) (forthcoming) (finding that about 80% of fair use opinions since *Campbell* have applied the transformative use doctrine and that this figure rises to 90% in the period since 2011).

103 *Id.* ("[The] more transformative the new work, the less will be the significance of other factors . . . that may weigh against a finding of fair use.").

104 *Campbell*, 510 U.S. at 579 (citing Pierre N. Leval, *Toward a Fair Use Standard*, 103 Harv. L. Rev. 1105, 1111 (1990)).

105 The reasoning in *Kelly* and *Perfect* 10 is virtually identical, except that the Ninth Circuit was more emphatic in the later case. Perfect 10 v. Amazon.com, 508 F.3d 1146, 1165-67 (9th Cir. 2007); *see also* Kelly v. Arriba Soft Corp., 336 F.3d 811, 818-22 (9th Cir. 2003).

106 *Perfect 10*, 508 F.3d at 1165 (emphasis added).

107 *Id.*

the search engine results useful. However, the conclusion that the use of the thumbnails as pointing devices was transformative because it "served a different function" unrelated to "artistic expression" parallels the expressive/non-expressive use distinction. This parallelism is reinforced by the way the court refers to the technologies as mere "tool[s]" and "pointing devices," not vehicles for conveying expression.[108]

The case in favor of non-expressive use fits easily within this concept of transformative use, although, as discussed below, non-expressive use and transformative use are arguably best understood as separate manifestations of a deeper principle relating to expressive substitution. For the moment, however, it is convenient to proceed with an explanation couched in the accepted language of transformative use. In terms of the first fair use factor, text mining and other similar uses are transformative. In the *iParadigms* plagiarism detection software case, for example, the district court held that copying student term papers was highly transformative. The papers were copied without alteration, but they were only used to generate metadata in the form of plagiarism reports. The Fourth Circuit emphasized that "iParadigms' use of plaintiffs' works had an *entirely different function and purpose* than the original works."[109] The court recognized that the term papers had been copied in total, but it was more important that the purpose of that copying was entirely statistically independent of the expressive value of the works.

To paraphrase the Supreme Court in *Campbell*, text mining and similar non-expressive uses do not "merely supersede the objects of the original work" but "instead add something new, with a further purpose or different character."[110] The entire point of text mining research is to generate valuable information *about* a work or a set of works that is different from what is *expressed by* the works. The fact that the insights gleaned from TDM could not, in most cases, be arrived at through close reading of the texts only reinforces this conclusion.

In a series of amicus briefs filed on behalf of Digital Humanities Researchers in the *Authors Guild* cases, we illustrated this point using Google's "Ngram" tool.[111] Figure 1, below, is an Ngram-generated chart comparing the frequency with which authors of texts in the Google Book

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[108] *Perfect 10*, 508 F.3d at 1165; *Kelly*, 336 F.3d at 818; *see also* Benjamin L. W. Sobel, *Artificial Intelligence's Fair Use Crisis*, 41 COLUM. J.L. & ARTS 45, 53-54 (2017–2018).

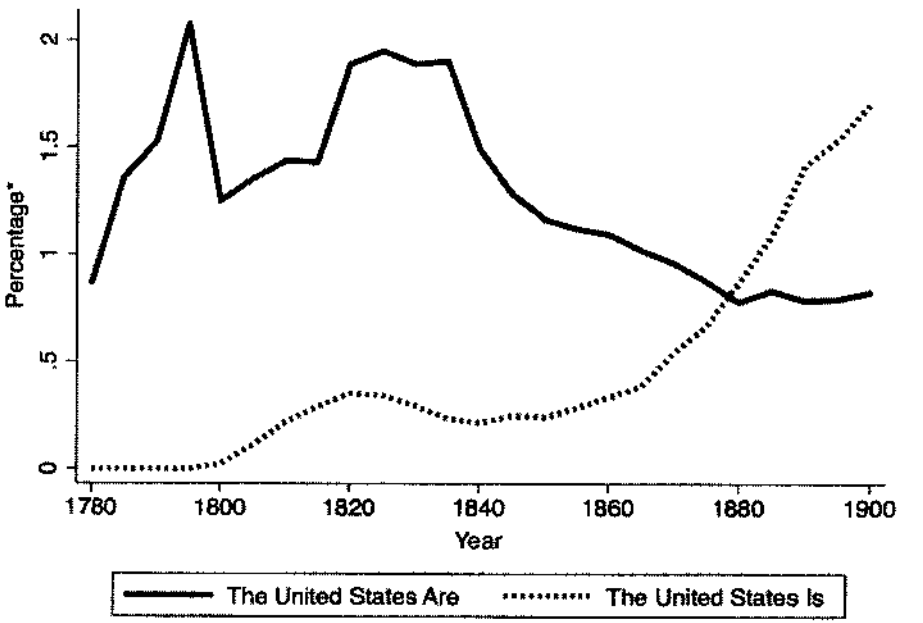
[109] A.V. *ex rel.* Vanderhye v. iParadigms, LLC, 562 F.3d 630, 639 (4th Cir. 2009) (emphasis added).

[110] Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 579 (1994).

[111] For this and other examples of Ngram's uses, see, e.g., Jean-Baptiste Michel, et al., *Quantitative Analysis of Culture Using Millions of Digitized Books*, 331 SCI. 176 (2011) (a study of linguistic and cultural changes in over five million digitized books).

Search database referred to the United States as a single entity ("is") as opposed to a collection of individual states ("are") from 1780 to 1900.

Figure 1 "The United States Are" versus "The United States Is" from 1780 to 1900[112]



Individually, each data point implicit in this visualization is almost meaningless. Yet collectively, the data tells an important story about how society came to understand the United States as a single indivisible nation that is more than the sum of its parts. Notably, Ngrams like this can only be produced by digitizing the entire contents of the relevant set of books. Abstracts, keywords, and subject matter indexes can only answer questions that appear to be worth asking ex ante; the ability to conduct a full text search means that we are only limited by our imagination ex post. Furthermore, in this example, not a single word of the underlying works is communicated in the data.

The Authors Guild's separate cases against HathiTrust and Google were heard by different trial judges in the Southern District of New York and appealed to differently constituted (but overlapping) panels of judges on the Court of Appeals for the Second Circuit. Thus, the Guild

112 Figure 1 is a reconstruction of data generated using Google Ngram on February 17, 2013, sampled at five-year intervals. The y-axis is scaled to 1/100,000 of a percent, such that 1 = 0.00001%.

presented its arguments with respect to fair use to six different judges on four different occasions. It lost every time. In October of 2012, district court Judge Baer held in *Authors Guild v. HathiTrust* that the defendants were entitled to summary judgment on their fair use defense because, in part, their use was "transformative" in the sense that:

> [T]he copies serve an entirely different purpose than the original works: the purpose is superior search capabilities rather than actual access to copyrighted material. The search capabilities of the [HathiTrust Digital Library] have already given rise to new methods of academic inquiry such as text mining.[113]

One year later, in November of 2013, in *Authors Guild v. Google, Inc.*, Judge Chin similarly held that Google Books was:

> transformative in the sense that it has transformed book text into data for purposes of substantive research, including data mining and text mining in new areas, thereby opening up new fields of research. Words in books are being used in a way they have not been used before.[114]

In June of 2014, the Court of Appeals for the Second Circuit, comprising Circuit Judges Walker, Cabranes, and Parker, upheld Judge Baer's court ruling in favor of HathiTrust with respect to text mining. The court concluded that "the creation of a full-text searchable database is a *quintessentially transformative use*."[115] It continued:

> [T]he result of a word search is different in purpose, character, expression, meaning, and message from the page (and the book) from which it is drawn. Indeed, we can discern little or no resemblance between the origi-

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[113] Authors Guild, Inc. v. HathiTrust, 902 F. Supp. 2d 445, 460 (S.D.N.Y. 2012) (aff'd in part, vacated in part on different grounds). In a footnote, Judge Baer called attention to the Digital Humanities amicus brief, noting that "mass digitization allows new areas of non-expressive computational and statistical research, often called 'text mining'. One example of text mining is research that compares the frequency with which authors used 'is' to refer to the United States rather than "are" over time." *Id.* at 460 n.22 (citing Brief of Digital Humanities and Law Scholars as Amici Curiae Supporting Defendant-Appellees, The Authors Guild v. HathiTrust, 902 F. Supp. 2d 44 (S.D.N.Y. 2012) (No. 12-4547-cv)).

[114] Authors Guild, Inc. v. Google, Inc., 954 F. Supp. 2d 282, 291 (S.D.N.Y. 2013), *aff'd sub nom*, Authors Guild v. Google, Inc., 804 F.3d 202 (2d Cir. 2015)). Judge Chin had raised the example in the Digital Humanities amicus brief of the graph comparing the prevalence of the United States "is" versus the United States "are" in oral argument. The relevant exchange between Judge Denny Chin and plaintiffs' counsel Edward Rosenthal is extracted in Appendix A. Judge Chin returned to the example in his decision. *Google, Inc.*, 954 F. Supp. 2d at 277 (citing Brief of Digital Humanities and Law Scholars as Amici Curiae Supporting Defendant-Appellees, Authors Guild v. Google, Inc., 954 F. Supp. 2d (S.D.N.Y. 2013) (No. 13-4829-cv)).

[115] Authors Guild, Inc. v. HathiTrust, 755 F.3d 87, 97 (2d Cir. 2014) (emphasis added).

> nal text and the results of the [HathiTrust Digital Library] full-text search.[116]

In October of 2015, a differently constituted panel of the Second Circuit, comprising Circuit Judges Leval, Cabranes, and Parker, upheld the award of summary judgment in favor of Google in *Authors Guild v. Google*.[117] The court held that Google's copying of the entire text of library books to create a search index was "highly transformative."[118] As the court explained:

> As with *HathiTrust* (and *iParadigms*), the purpose of Google's copying of the original copyrighted books is to make available significant information *about those books*, permitting a searcher to identify those that contain a word or term of interest, as well as those that do not include reference to it. In addition, through the ngrams tool, Google allows readers to learn the frequency of usage of selected words in the aggregate corpus of published books in different historical periods. We have no doubt that the purpose of this copying is the sort of transformative purpose described in *Campbell*.[119]

In all of the *Authors Guild* decisions,[120] the relevant court held that library digitization to enable TDM research and full text search was transformative; each decision further held that in light of this transformativeness, such uses were fair. The *Authors Guild* judgments emphasized how making works searchable and enabling text mining generated new information about the underlying works without communicating (or meaningfully communicating) the original expression of those works. Taken altogether, the *Authors Guild* cases hold that using TDM methods to generate new insights and new information about the underlying works is a "*quintessentially transformative*"[121] and that there is "no doubt that the purpose of this copying is the sort of transformative purpose described in *Campbell*."[122]

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116 *Id.*

117 Authors Guild, Inc. v. Google, Inc., 804 F.3d 202 (2d Cir. 2015).

118 *Id.* at 216-17.

119 *Id.* at 217.

120 Authors Guild, Inc. v. HathiTrust, 902 F. Supp. 2d 445, 460 (S.D.N.Y. 2012); Authors Guild, Inc. v. Google, Inc., 954 F. Supp. 2d 282, 291 (S.D.N.Y. 2013); Authors Guild v. HathiTrust, 755 F.3d 87 (2d Cir. 2014); Authors Guild v. Google, Inc., 804 F.3d 202 (2d Cir. 2015).

121 Authors Guild, Inc. v. HathiTrust, 755 F.3d 87, 97 (2d Cir. 2014) (emphasis added).

122 Authors Guild, Inc. v. Google, Inc., 804 F.3d 202, 217 (2d Cir. 2015).

b) The relationship between transformative, non-expressive, and non-consumptive use

As the *Authors Guild* cases illustrate, courts have tended to regard non-expressive use as a subset of transformative use. I have suggested elsewhere that it might be better to recognize the two concepts as distinct categories emanating from a deeper copyright principle relating to expressive substitution.[123] As discussed above, copyright law is fundamentally concerned with the communication of original expression to the public and not with the mechanical act of copying per se. I have demonstrated that the exclusive rights of the copyright owner are defined in terms of public communication of original expression and should be limited to such communication. Furthermore, I have illustrated that all of this can be neatly encapsulated in a principle of non-expressive use: that the use of copyrighted work for a purpose that does not ultimately (or substantially) convey the original expression encoded within the work should not infringe copyright. The same proposition can be put slightly differently: non-expressive uses pose no threat of expressive substitution. Non-expressive uses generate information *about* a work, that information may be useful, it may be valuable, it may even affect the demand for the underlying work, but metadata about a work does not in any way fulfill the public's demand for the author's original expression. Reframing the argument in terms of expressive substitution provides a bridge to the concept of transformative use.

Focusing on expressive substitution makes sense of both transformative use in general and non-expressive use in particular. Classic transformative uses are generally fair uses because, in spite of communicating some of the author's original expression, they do not substitute for it. Parody, commentary, criticism, illustration, and explanation all may include large portions of the author's original expression, but these expressive transformative uses do not usually pose any risk of expressive substitution. Non-expressive use is also justified in terms of expressive substitution, but even more emphatically so. By definition, a non-expressive use does not usurp the copyright owner's communication of her original expression to the public because the expression is not communicated. The key difference between the two categories is that non-expressive uses pose no threat of expressive substitution whatsoever, whereas expressive-transformative uses do not *generally* threaten expressive substitution, but they might in particular circumstances. As a result, expressive-transformative use cases will continue to require courts to pay careful attention to the third and fourth fair use factors — the amount used and the market effect of that use. In contrast, because non-expressive uses are by definition acts of cop-

[123] Sag, *Copy-Reliant Technology*, *supra* note 1.

ying that do not communicate the author's original expression to the public, the amount copied will almost never be instructive and there will be no cognizable market effect.

Understanding transformative use and non-expressive use in terms of expressive substitution should also help courts evaluate the significance of minor expressive uses embedded within a broader TDM project. Most researchers using text mining tools will need to compare their metadata to selections of the actual text from time to time in order to evaluate the reliability of an algorithm or some other aspect of their methodology. Whether we label these uses as intermediate or not is largely beside the point. The important point is that such uses are orthogonal to the work's ordinary expressive purpose and they do not pose any threat of expressive substitution. As discussed in more detail in Part III, *infra*, limited expressive uses for purposes such as presenting search results in context or verifying the accuracy of results fit easily within the traditional transformative use paradigm. Such uses are likely to be fair but need to be evaluated to confirm that they are unlikely to pose any risk of expressive substitution.

As an aside: another issue to address in the context of text mining is the relative merits of the terms "non-expressive use" and "non-consumptive use." The ill-fated settlement agreement between Google and the Authors Guild defined "Non-Consumptive Research" as "research in which computational analysis is performed on one or more Books, but not research in which a researcher reads or displays substantial portions of a Book to understand the intellectual content presented within the Book."[124] Since that time, many in the library community have continued to use the term non-consumptive use in place of non-expressive use. This is unfortunate for several reasons. First, non-consumptive use is already a term of art in the water rights literature with a substantially different meaning.[125] Second, the term non-consumptive research is too closely tied to the controversial settlement agreement. The term makes sense as used in the settlement agreement between Google and the Authors Guild, but outside that context it is too narrow. Third, the term non-expressive use directs the reader's attention to the fundamental copyright distinction between ideas and their expression and between facts and their expression. In contrast, some people may well see the digitization of works as a form of consumption in the sense that the underlying works are consumed as inputs to the text mining process.

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[124] Amended Settlement Agreement § 1.93., Authors Guild, Inc. et al. v. Google, Inc., 770 F. Supp. 2d 666 (S.D.N.Y. 2011) (No. 05 Civ. 8136).

[125] *See, e.g.*, A. Dan Tarlock & Jason Anthony Robison, Law of Water Rights and Resources § 5:25 (2018) (Waters subject to appropriation — Non-consumptive use of consumptive rights).

At the end of the day, whether one uses the term non-consumptive use or non-expressive use, and whether one regards non-expressive use as just one more manifestation of transformative use as opposed to a separate category, should not matter, except to the extent that clear terminology facilitates clear thinking.[126] Given the influence of *Campbell v. Acuff-Rose*, courts will probably continue to equate non-expressive use with transformative use, a fact that makes it all the more important to understand how the two concepts are linked to the deeper animating principle of expressive substitution.

c) Commercial use is a red herring

As part of their consideration of the "purpose and character of the use" under the first factor, courts are instructed to consider "whether such use is of a commercial nature or is for nonprofit educational purposes."[127] The status of commercial fair use has proved to be confusing in the fair use case law, in part because it is so closely linked with the question of market substitution under the fourth factor.[128] Of course, many of the uses of TDM discussed in this article are non-commercial, but even where TDM methods are employed by commercial actors, the commercial use argument against text mining and other non-expressive uses is a red herring.

In *Sony Corp. of America v. Universal City Studios, Inc.*, the Supreme Court declared "every commercial use of copyrighted material is presumptively an unfair exploitation."[129] However, the *Sony* case itself did not involve a commercial use, and this dicta was not the Supreme Court's final word on the subject. In *Campbell*, the Court reversed the Sixth Circuit ruling on this very basis, observing that: "Congress could not have intended" a broad presumption against commercial fair uses, as "nearly all of the illustrative uses listed in the preamble paragraph of § 107 . . . are generally conducted for profit in this country."[130] In *Campbell*, the Court rejected the notion that commerciality by itself had any "hard presumptive significance."[131] To be sure, the commercial/non-commercial distinction may be relevant in determining market effect under the fourth factor in some cases, and certain non-commercial uses also merit favorable treatment under the first factor, but there is no presumption as such against commercial use in modern fair use law.

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126 By which I mean to suggest that it does matter.

127 17 U.S.C. § 107(1) (2012).

128 *See* Matthew Sag, *Predicting Fair Use*, 73 Ohio St. L.J. 47, 59–60 (2012) (discussing cases and confusion between commerciality and the fourth fair use factor).

129 464 U.S. 417, 451 (1984).

130 *Campbell*, 510 U.S. at 584 (internal quotation marks and citations omitted).

131 *Id.* at 585.

Commercial use attracts no adverse presumption and cases that suggest to the contrary are simply in error; but more importantly, if a use is non-expressive, its commercial or noncommercial nature is irrelevant. Text mining and other non-expressive uses do not substitute for the author's original expression; where there is no expressive substitution, commerciality is simply not an informative consideration. Plagiarism detection software and Internet search engines are almost all commercial, as is a great deal of machine learning research. The commercial nature of these uses does not undermine their claims to fair use. As the Second Circuit summarized in *Google Books*, there is "no reason . . . why [a defendant's] overall profit motivation should prevail as a reason for denying fair use over its highly convincing transformative purpose, together with the absence of significant substitutive competition, as reasons for granting fair use."[132]

2. The Nature of the Work

The second fair use factor calls for consideration of the "nature of the copyrighted work."[133] The usual distinctions courts draw in assessing the second factor — between published and unpublished works and between creative and informational works — are largely irrelevant with respect to non-expressive uses. It is well recognized that the second factor rarely seems to be dispositive and that it is unlikely "to help much in separating the fair use sheep from the infringing goats in a parody case," or in other transformative uses.[134] In the *HathiTrust* case, the Second Circuit simply dismissed the second factor in single short paragraph as "of limited usefulness where, as here, the creative work is being used for a transformative purpose."[135]

The court was right to brush aside the second factor in *HathiTrust* because the whole notion that the nature of the work is an independent factor in which some works are more deserving of copyright protection than others is misconceived.[136] The nature of the work is not really a factor at all, it is simply the context in which courts must apply the substan-

132 Authors Guild v. Google, Inc., 804 F.3d 202, 219 (2d Cir. 2015).
133 17 U.S.C. § 107(2) (2012).
134 *Campbell*, 510 U.S. at 586.
135 Authors Guild, Inc. v. HathiTrust, 755 F.3d 87, 98 (2d Cir. 2014) (citations and quotations omitted).
136 Admittedly, this misconception is widespread. *See, e.g.*, Harper & Row, Publishers v. Nation Enters., 471 U.S. 539, 563, (1985) ("The law generally recognizes a greater need to disseminate factual works than works of fiction or fantasy."); *Campbell*, 510 U.S. at 586 ("[S]ome works are closer to the core of intended copyright protection than others."); Blanch v. Koons, 467 F.3d 244, 256 (2d Cir. 2006) (copying factual works is more likely fair use than copying creative works). *But see* Authors Guild v. Google, Inc., 804 F.3d 202, 220 (2d Cir. 2015).

tive considerations of *purpose*, *proportion*, and *effect* set out in factors one, three, and four respectively. Images are not less worthy of copyright protection than text, but it is much harder to selectively comment on an image or use just part of an image as evidence than it is with purely textual works. Accordingly, full quotations of an image might be reasonable and proportional in circumstances where partial quotation of the text would be.[137]

The statute is not wrong to direct courts to think about the nature of the work; indeed, it would be quite impossible to analyze the *purpose*, *proportion*, and *effect* of the defendant's use without taking into account the nature of the work. As the Court of Appeals notes in *Google Books*, "one cannot assess whether the copying work has an objective that differs from the original without considering both works, and their respective objectives."[138] However, this does not mean that there are works of a *more preferred* nature or a *less preferred* nature. It simply means that applying the factors without thinking about the specific context of the plaintiff's and defendant's works will likely lead to error.[139]

The nature of the work is actually a very significant input into assessing the fairness of a non-expressive use in one respect. Where Congress has chosen to protect works of authorship whose value is largely a matter of function rather than expression, such as computer programs and architectural works, the fact that a use poses no threat of expressive substitution may not be enough. Courts should make sure they do not eviscerate the protection Congress intended to bestow on software by applying the concept of non-expressive uses too liberally in that context. As noted above, installing pirated software would be a non-expressive use, but it would not be fair use.[140] Yet the nature of the work is not determinative by itself; for instance, making multiple copies of the same software in order to learn how to construct complementary interoperable programs would be fair use.[141] Therefore, although the nature of the work is an essential input into any fair use analysis, the legality of text mining does

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137 *See, e.g.*, Nuñez v. Caribbean Int'l News Corp., 235 F.3d 18, 21-23 (1st Cir. 2000) (newspaper's reproduction of controversial photo to support a story reporting on the controversy held to be fair use).

138 *Authors Guild v. Google*, 804 F.3d at 220.

139 In particular situations, whether a work is published or unpublished, may be significant, likewise the question of whether it is creative versus informational. These considerations are entirely context dependent.

140 *See supra* notes 79 and 80 and accompanying text.

141 Atari Games Corp. v. Nintendo of America, Inc., 975 F.2d 832, 843 (Fed. Cir. 1992) ("[R]everse engineering object code to discern the unprotectible ideas in a computer program is a fair use . . . [but] must not exceed what is necessary to understand the unprotected elements of the work.").

not turn on whether the works being mined are creative versus informational.

3. The Amount and Substantiality of the Portion Used

The third fair use factor, "the amount and substantiality of the portion used" will usually favor non-expressive uses, even if the work is copied in its entirety.[142] This may seem surprising at first, but the third factor is both quantitative and qualitative: it looks to how much of the *value* of the copyright owner's original expression has been usurped by the defendant's actions.[143] Non-expressive uses appropriate none of the value of the original expression as expression.

In essence, the inquiry here is whether the amount of copying was reasonable in relation to the purpose.[144] Courts have recognized that copying entire works may be both necessary and reasonable in a variety of scenarios,[145] and particularly where those copies are intermediate[146] and/or transformative.[147] Expressive-transformative uses may justify extensive copying or even total copying in some cases, but transformative use does not guarantee a free pass on the third factor. An excess of copying might indicate that the use is not really transformative at all, or it might indicate that the defendant fell short of her intended transformative purpose. In *Warner Bros. Entertainment Inc. v. RDR Books*, for example, the district court held that the Harry Potter Lexicon, an encyclopedic guide to the Harry Potter universe, infringed the copyright in that series.[148] The court concluded that although the purpose of the Lexicon's use was transformative, its execution was less than transformative given its overreliance on verbatim copying from the original works.[149]

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142 17 U.S.C. § 107(3) (2012).

143 Harper & Row Publishers, Inc. v. Nation Enterprises, 471 U.S. 539, 564–565 (1985).

144 *Sony*, 464 U.S. at 449-50 (expressly invoking a reasonableness standard); *Campbell*, 510 U.S. at 586-87 (noting that "the extent of permissible copying varies with the purpose and character of the use."). *See generally* Anthony Reese, *How Much Is Too Much?: Campbell And The Third Fair Use Factor*, 90 WASH. L. REV. 755 (2015).

145 *See, e.g.*, *Bill Graham*, 448 F.3d at 613; *Arriba Soft*, 336 F.3d at 821.

146 Sundeman v. Seajay Soc'y, Inc., 142 F.3d 194, 206 (4th Cir. 1998) (finding that it was fair use to copy a fragile manuscript so that the author of a critical review could study it without inflicting damage).

147 Nuñez v. Caribbean Int'l News Corp., 235 F.3d 18, 21-23 (1st Cir. 2000) (newspaper's reproduction of controversial photo to support a story reporting on the controversy held to be fair use).

148 *See, e.g.*, Warner Bros. Entm't, Inc. v. RDR Books, 575 F. Supp. 2d 513, 540 (S.D.N.Y. 2008).

149 *Id.*

TDM will almost invariably involve the intermediate copying of entire works, but in circumstances where virtually none of the copyright owner's original expression is communicated to the public. This complete copying is *necessary* if the entirety of the text is to be analyzed. It is *reasonable* because it is necessary and because text mining does not substitute for the expressive value of the author's original expression. As the Second Circuit explained in the *HathiTrust* case:

> In order to enable the full-text search function, the Libraries, as we have seen, created digital copies of all the books in their collections. Because it was reasonably necessary for the HDL to make use of the entirety of the works in order to enable the full-text search function, we do not believe the copying was excessive.[150]

Likewise, in *Google Books*, the court of appeals concluded that:

> As with *HathiTrust*, not only is the copying of the totality of the original reasonably appropriate to Google's transformative purpose, *it is literally necessary* to achieve that purpose. If Google copied less than the totality of the originals, its search function could not advise searchers reliably whether their searched term appears in a book (or how many times).[151]

In summary, making complete digital copies of copyrighted works for text mining and similar non-expressive uses should be viewed as qualitatively insignificant under the third factor, even if it involves literal copying of an entire work.[152]

4. Market Effect

Finally, text mining and similar non-expressive uses have no cognizable effect on the fourth fair use factor, the "potential market for or value of the copyrighted work."[153] In *Campbell* and subsequent cases, the courts have recognized that the copyright owner has no protectable interest in preventing criticism, parody,[154] or simply locking up unprotectable ideas

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150 Authors Guild, Inc. v. HathiTrust 73 F.3d 87, 98 (2d Cir. 2014).

151 Authors Guild, Inc. v. Google, Inc., 804 F.3d 202, 221 (2d Cir. 2015) (emphasis added)

152 *See, e.g.*, A.V. *ex rel.* Vanderhye v. iParadigms, LLC, 562 F.3d 630 (4th Cir. 2009).

153 17 U.S.C. § 107(4). Again, this is subject to the caveat that the principle of non-expressive use needs to be applied carefully to primarily functional works so as not to undermine the protection that Congress intended by adding computer software and architectural works to the scope of copyright subject matter.

154 Campbell v. Acuff-Rose, 510 U.S. 569, 577–79 (1994); *see also* Wright v. Warner Books, Inc., 953 F.2d 731 (2d Cir. 1991) (explaining that a scholarly biography that expands upon and criticizes previous unpublished manuscripts constitutes fair use); NXIVM Corp. v. Ross Inst., 364 F.3d 471, 482 (2d Cir. 2004) ("[C]riticisms of a seminar or organization cannot substitute for the seminar or organization itself or hijack its market."); Bill Graham Archives v. Dorling Kindersley, Ltd., 448 F.3d 605 (2d Cir. 2006) ("A copyright holder cannot prevent others

and expression.[155] Transformative uses such as parody generally favor the defendant in a market analysis because the defendant's use does not interfere with the plaintiff's interest: the defendant may incidentally communicate the same original expression as the plaintiff, but if the use is truly transformative, that communication is for a very different purpose that does not compete with the plaintiff. For example, in *Leibovitz v. Paramount Pictures Corp.*,[156] the Second Circuit held that a parody of an Annie Leibovitz photo used to advertise one of the *Naked Gun* movies was fair use. The parody was transformative, and it did not interfere with any potential market for Leibovitz's photograph or for derivative works based upon it. A parody may look like the original work, but it is not the original and it does not compete in the same market.

Parody cases illustrate that proportionate transformative uses do not pose a threat of expressive substitution, but the point is not confined to parody.[157] The difference between transformative uses in general and non-expressive uses in particular is that the former *tend* not to pose a threat of expressive substitution, whereas non-expressive uses *categorically* do not. This point was well put by the Second Circuit in *HathiTrust,* when it said: "any economic harm caused by transformative uses does not count because such uses, by definition, do not serve as substitutes for the original work."[158] The information supplied by a search engine about a webpage or a library book does not substitute for the information within those texts, let alone for the copyrighted original expression within those texts. A report from a plagiarism detection service might depress the market for helping students cheat on their homework, but that is hardly a cognizable injury under copyright law.[159] Of course, some of the most intriguing applications of text mining, such as the study discussed above of gender differences in language used to describe male identified and female identified fictional characters, are irrelevant to almost any conceivable market, let alone posing a threat of expressive substitution.

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from entering fair use markets merely by developing or licensing a market for parody . . . or other uses of its own creative work.") (internal quotations omitted).

155 Sega Enters., Ltd. v. Accolade, Inc., 977 F.2d 1510 (9th Cir. 1992); Sony Computer Entm't, Inc. v. Connectix Corp., 203 F.3d 596 (9th Cir. 2000).

156 Leibovitz v. Paramount Pictures Corp., 137 F.3d 109 (2d Cir. 1998).

157 Blanch v. Koons, 467 F.3d 244 (2d Cir. 2006).

158 Authors Guild, Inc. v. HathiTrust, 755 F.3d 87, 99 (2d Cir. 2014) (citing *Bill Graham Archives*, 448 F.3d at 614).

159 AV *ex rel.* Vanderhye v. iParadigms, LLC, 562 F.3d 630, 464 (4th Cir. 2009) ("Clearly no market substitute was created by iParadigms, whose archived student works do not supplant the plaintiffs' works in the 'paper mill' market so much as merely suppress demand for them, by keeping record of the fact that such works had been previously submitted . . . . In our view, then, any harm here is not of the kind protected against by copyright law.")

Nothing in this analysis would change if the copyright owner was also in the business of providing data mining and text analytics services. Consider by way of analogy a copyrightable expressive recipe book. Copyright in the explanation of a recipe does not extend to the underlying process or instructions for making something like a chocolate cake.[160] The idea-expression distinction makes it perfectly acceptable for another person to publish the underlying instructions without permission and nothing in this analysis would change if the original chef also published her own bare-bones instructions. The chef has every right to participate in the market for simple uncopyrightable instructions based on her recipes, but she has no greater standing in that market than any other actor. In other words, that particular secondary market is not part of her cognizable copyright market interest.

The only way to argue that TDM has a market effect is to ignore the fact that copyright operates to protect original expression and insist that text mining is itself the market. Yet this argument is transparently circular. In theory, every use by a defendant represents something that could be licensed to the defendant, but courts are usually unmoved by such question begging. Instead, courts have limited market effects under the fourth factor to those that represent a cognizable copyright interest.[161] The court in *HathiTrust* rejected the Authors Guild's argument that not being paid for text mining was a cognizable harm, noting that "[l]ost licensing revenue counts under Factor Four only when the use serves as a substitute for the original and the full-text-search use does not."[162] Likewise, in *Google Books*, the court insisted on focusing "on whether the copy brings to the marketplace *a competing substitute for the original*, or its derivative, so as to deprive the rights holder of significant revenues because of the likelihood that potential purchasers may opt to acquire the copy in preference to the original."[163]

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[160] Baker v. Selden 101 U.S. 99 (1879). *See supra* notes 49 and 53 and accompanying text.

[161] Campbell v. Acuff-Rose Music, 510 U.S. 569, 591-92 (1994) (no cognizable market effect where parody or criticism depress demand for the original work); *see also* Sony Computer Entm't, Inc. v. Connectix Corp., 203 F.3d 596, 607 (9th Cir. 2000) (noting that a videogame manufacturer's desire to foreclose competition in complementary products was understandable, but that "copyright law . . . does not confer such a monopoly."); Bill Graham Archives v. Dorling Kindersley, Ltd., 448 F.3d 605, 615 (2d Cir. 2006) ("[A] copyright holder cannot prevent others from entering fair use markets merely by developing or licensing a market for parody, news reporting, educational or other transformative uses of its own creative work.") (citations and quotations omitted).

[162] Authors Guild, Inc. v. HathiTrust, 755 F.3d 87, 100 (2d Cir. 2014).

[163] Authors Guild v. Google, Inc., 804 F.3d 202, 223 (2d Cir. 2015) (emphasis added).

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The district court and the Court of Appeals decisions in the *Authors Guild* cases each follow the logic but not the precise terminology of the non-expressive use argument presented in the Digital Humanities amicus briefs. In each of these decisions, the relevant court concluded that the use of copyrighted works as grist for the data mill was transformative and that, in light of this transformativeness, such uses were fair. The decisions all emphasized how making works searchable and enabling text mining generated new information about the underlying works without communicating (or meaningfully communicating) the original expression of those works. However, these famous victories do not mark the end of the legal analysis required to launch a new TDM project; they are not even the beginning of the end, they are at best the end of the beginning.[164]

D. The Future of the Authors Guild Precedents

On January 6, 2015, the Authors Guild voluntarily dismissed its case against the HathiTrust Digital Library and the related university defendants.[165] On April 18, 2016, the U.S. Supreme Court brought more than a decade of copyright litigation to an end when it declined to hear the Authors Guild's appeal in *Authors Guild v. Google*.[166] At this point, if not earlier, it seemed safe to say that the legality of TDM research had been clearly established under United States copyright law. The precedent set in the *Authors Guild* cases is unlikely to be reversed by the Supreme Court or seriously challenged by other federal circuits. True enough, the *Google Books* decision itself describes the case as "testing the boundaries of fair use,"[167] but although the Authors Guild's cases against Google and the HathiTrust were high profile test cases, they were not narrow victories.

The first indication that the *Authors Guild* cases are a reliable precedent is that the Supreme Court had already declined to weigh in on this issue when presented with the perfect vehicle to do so, the Authors Guild case against Google.[168] A reversal in course is also unlikely, because the reasoning of the Second Circuit was consistent with other circuits that have addressed similar questions regarding plagiarism detection software

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164 Apologies to Winston Churchill.

165 Authors Guild, Inc. v. Hathitrust et al., No. 1-11-cv-06351 (Jan. 6, 2015) (voluntary dismissal).

166 Authors Guild, Inc. v. Google, Inc., 136 S. Ct. 1658 (2016) (petition for writ of certiorari denied).

167 Authors Guild, Inc. v. Google, Inc., 804 F.3d 202, 206 (2d Cir. 2015).

168 *Google, Inc.*, 136 S. Ct. at 1658.

and visual search engines.[169] Indeed, there is no legal theory that could ever have convincingly explained why on the one hand copying HTML webpages to build a search engine is not copyright infringement a billion times over, but copying printed library books to do the same thing is somehow infringing.[170] The choice between outlawing Internet search and allowing book search always seemed loaded in favor of the latter. Furthermore, there is no substantial constituency demanding a change of course with respect to the legality of text mining and other non-expressive uses. In the decade or more since the Authors Guild first brought its case against Google, no significant harms relating to book searches have materialized. Over that same period, the general public and several generations of law clerks have come to recognize the utility of book search as a tool that adds value to books rather than competing with them.

It is important not to conflate the issue of whether the *Authors Guild* precedents will stand the test of time with the related question of whether future courts will be even more expansive. The recent Court of Appeals decision in *Fox News v. TVEyes*[171] suggests to some that the Second Circuit may retreat from its decisions in the *Authors Guild* cases, but a more careful reading of *TVEyes* shows that the decision does as much to entrench the core holdings of the *Authors Guild* cases as it does to call them into question. The *TVEyes* decision is deeply flawed in some of its analysis, as I explain below, but its ultimate conclusion does not threaten the legality of copying for TDM purposes or other non-expressive uses.

In July of 2013, Fox News Network, LLC filed suit against a media monitoring service, TVEyes, alleging "willful infringement of Fox News's valuable intellectual property rights in and to its television programming and content."[172] TVEyes provided its paying subscribers with a searchable database of virtually all television programs broadcast within the U.S. during a thirty-two day window. It did so by recording all of that programming — about 27,000 hours a day — on a central server and indexing the content based on the closed captioning text and speech recognition technology. TVEyes's service was marketed to the high-end business market and was not available for ordinary personal use by private consumers. Realistically, TVEyes's $500 a month price tag all but ensured that it was used as a media monitoring tool and not simply to satisfy the public's desire to watch broadcast television over the Internet. Moreover, the evi-

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169 *See* A.V. *ex rel.* Vanderhye v. iParadigms, LLC, 562 F.3d 630, 639-40 (4th Cir. 2009); Perfect 10, Inc. v. Amazon.com, Inc., 508 F.3d 1146, 1165 (9th Cir. 2007); Kelly v. Arriba Soft Corp., 336 F.3d 811, 819 (9th Cir. 2003).

170 *See* Sag, *Copy-Reliant Technology*, *supra* note 1, at 1620–22.

171 Fox News Network, LLC v. TVEyes, Inc., 883 F.3d 169 (2d Cir. 2018).

172 Fox News Network, LLC v. TVEyes Inc., No. 1-13-cv-05315, para. 1 (S.D.N.Y. Jul 30, 2013) (complaint).

dence that TVEyes subscribers used the service for research, criticism, and comment was undisputed at trial.[173]

Although TVEyes was a profit-making venture, the immense benefit it provides to the public was obvious. By making the contents of broadcast television searchable, the service provided information *about* those broadcasts that transcended the individual works themselves. As district court Judge Hellerstein summarized:

> TVEyes subscribers use this service to comment on and criticize broadcast news channels. Government bodies use it to monitor the accuracy of facts reported by the media so they can make timely corrections when necessary. Political campaigns use it to monitor political advertising and appearances of candidates in election years. Financial firms use it to track and archive public statements made by their employees for regulatory compliance. The White House uses TVEyes to evaluate news stories and give feedback to the press corps. The United States Army uses TVEyes to track media coverage of military operations in remote locations, to ensure national security and the safety of American troops. Journalists use TVEyes to research, report on, compare, and criticize broadcast news coverage. Elected officials use TVEyes to confirm the accuracy of information reported on the news and seek timely corrections of misinformation. Clearly, TVEyes provides substantial benefit to the public.[174]

At the district court, Judge Hellerstein found that TVEyes's basic functionality, including the copying required to create an analytical database and the display of the resulting video clips, was transformative and served "a new and different function from the original work and is not a substitute for it."[175] The robustness of the core holdings of *HathiTrust* and *Google Books* is apparent from the fact that Fox News did not attempt to argue that the extensive copying of its broadcasts to create TVEyes's analytical database amounted to infringement.[176] Instead, Fox News focused its attack on the fact that the video clips of Fox News's content that TVEyes gave its customers access to were a full ten minutes long and that various features of the service allowed subscribers to watch, copy, and distribute those clips.

In a careful and nuanced opinion following a bench trial, Judge Hellerstein held that the basic functionality of TVEyes was fair use and that the archiving feature was also fair use because it was integral to the search

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173 Fox News Network, LLC v. TVEyes, Inc., 43 F. Supp. 3d 379, 393 (S.D.N.Y. 2014).

174 *Id.* at 397.

175 *Id.* at 393 (quoting *HathiTrust*, 755 F.3d at 96).

176 *Id.* at 388 ("Fox News does not argue that TVEyes' use of Fox News' broadcasts for the purpose of creating an analytical database is a fair use[.]"); Fox News Network, LLC v. TVEyes, Inc., 883 F.3d 169, 176 (2d Cir. 2018) (noting that Fox did not challenge the Search function on appeal).

function.[177] However, the judge ruled that without "protocols to reasonably assure that, when subscribers share video clips, they do so consistent with § 107," sharing clips by emailing a dedicated URL link to the TVEyes server was not fair use.[178] Judge Hellerstein reasoned that "[i]f TVEyes cannot prevent indiscriminate sharing, it risks becoming a substitute for Fox's own website, thereby depriving Fox of advertising revenue."[179] Judge Hellerstein also concluded that giving subscribers the ability to download the video clips went well beyond TVEyes's transformative services of searching and indexing.[180]

Fox News's appeal to the Second Circuit provoked a rather curious and muddled decision.[181] The Court of Appeals did not disagree that the creation of the text-searchable database was fair use, but the majority concluded its analysis with a limiting footnote:

> Because Fox has not challenged the Search function on this appeal, and the parties have therefore presented no arguments about it, we express no views on it, neither upholding nor rejecting it.[182]

Whether the panel was casting doubt on the Second Circuit's own decisions in *HathiTrust* and *Google Books* or simply making the scope of its decision clear beyond doubt is open to interpretation.

Unlike the district court, the appeals court panel in *TVEyes* took the view that all aspects of the service's "Watch function" went beyond the scope of fair use.[183] *Google Books* held that the display of three line snippets to add context to book search results was transformative in purpose and that it was reasonable in proportion to that purpose.[184] Those snippets allowed a user to verify that a book suggested by the search engine was in fact relevant to her interests. In addition, the snippets were so brief that they did not pose any risk of fulfilling the readers demand for the original expression of the underlying manuscripts. In contrast, in *Fox v. TVEyes*, the Court of Appeals deemed that ten-minute video clips were excessively long, especially given the brevity of the average news seg-

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177 Fox News Network, LLC v. TVEyes Inc., No. 1-13-cv-05315 (S.D.N.Y. July 30, 2013) (Opinion and Order).

178 *Id.*

179 *Id.* at 14-15.

180 The district court also held that the ability to search by date and time rather than keywords went beyond the scope of fair use because it "duplicate[d] Fox's existing functionality." Presumably the court meant that by combining these search methods with the ability to play the selected videos, TVEyes service came too close to substituting for Fox's original content.

181 Fox News Network, LLC v. TVEyes, Inc., 883 F.3d 169 (2d Cir. 2018).

182 *Id.* at 182 n.7.

183 *Id.* at 181.

184 Authors Guild, Inc. v. Google, Inc., 804 F.3d 202 (2d Cir. 2015).

ment.[185] The ten-minute video clips would, in the panel's view, "likely provide TVEyes's users with *all of the Fox programming that they seek* and *the entirety of the message conveyed by Fox* to authorized viewers of the original."[186] In other words, the court was concerned that rather than primarily providing information about the content of particular news segments, the length of the video clips was such that they would substitute for those segments in their entirety.

The majority's basic finding that TVEyes's snippets were too long was perfectly reasonable. However, the majority struggled to make sense of prior Second Circuit and Supreme Court cases in light of this conclusion because it did not seem to grasp the interrelationships between the various fair use factors. Circuit Judge Jacobs, writing for himself and Circuit Judge Newman, said that TVEyes's Watch function was "at least somewhat transformative" in the sense that it enhanced the efficiency of content delivery; but he also wrote that it had "only a modest transformative character" because it "essentially republishes that content unaltered from its original form, with no "new expression, meaning or message."[187] This is a bit like describing room temperature coffee as "somewhat hot, but only modestly so." The language is at best disingenuous and unhelpful, but more bluntly the characterization is simply wrong. As Judge Kaplan's concurring opinion points out, cases such as *Infinity Broadcast Corp. v. Kirkwood* make it quite clear that marginal improvements in convenience and ease of access are not transformative.[188] Conveying a substantial part of an expressive work so that some new member of the public can appreciate that expression without modification or addition may be welfare enhancing, but it is not transformative.

Perhaps the majority felt the need to label the use as at least somewhat transformative because the Second Circuit had held that a similar use in the *Google Books* case was transformative. If so, the majority misunderstood the law. In *Google Books*, three-line snippets were shown to users of the book search engine to provide context for the search results. The length of the snippets and the limits on how they could be combined made it clear that this was the predominant function the snippets served.[189] Just like in the visual search engine cases, *Perfect 10 v. Ama-*

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185 Fox News Network, LLC v. TVEyes, Inc., 883 F.3d 169, 179 (2d Cir. 2018).

186 *Id.* (emphasis added).

187 *Id.*

188 *Id.* at 186 (citing Infinity Broad. Corp. v. Kirkwood, 150 F.3d 104 (2d Cir. 1998)).

189 Google limited the number of snippets that could be displayed on a per-page and per-book basis and "blacklisted" about a fifth of the text from every book. In addition, it did not display snippets from works such as dictionaries and cookbooks. Authors Guild, Inc. v. Google, Inc., 804 F.3d 202, 210 (2d Cir. 2015).

zon.com[190] and *Kelly v. Arriba Soft*,[191] the snippets contained some original expression, but that expression was used for the transformative purpose of providing information *about* the search function, as opposed to merely conveying the copyright owner's original expression. In the visual search engine cases, the transformative nature of the use was clear from the small size of the displayed images and their low resolution. In *Google Books*, it was clear because of the fractional nature of the display.

The *TVEyes* majority did not seem to understand that deeming TVEyes's snippets to be way too long was a sufficient basis to decline fair use, or that in the alternative that conclusion had implications for the other fair use factors. Given its view of the facts, the court could have held that TVEyes went so far beyond what was reasonable and consistent with providing information about the search results or about news coverage that fair use did not apply, in spite of the defendant's transformative purpose of providing information and commentary about the subject works. Alternatively, for the same reasons, it could have held that the defendant's claim to transformativeness was plausible in theory, but belied by the facts.[192] After all, the first factor calls for an examination of the "purpose *and* character of the use" and even with all the best intentions, excessive reproduction can negate the user's claim to transformativeness.

The *TVEyes* decision is less than ideal in other ways. Possibly, a differently constituted appeals court panel might have given the defendant more latitude, worried less about how the service could theoretically be used, and would have given more credence to the evidence of how the service was in fact used. As the district court noted, the majority of TVEyes's users seemed predominately concerned with metadata and rarely (at a rate of about 1% in an average month) actually played a video clip that resulted from a keyword search of their selected watch terms. On those rare occasions, the average video clip was played for forty-one seconds with a median playback of just twelve seconds. Certainly, the district court was persuaded that:

> There is no basis for Fox News' alleged concern that TVEyes' subscribers are likely to watch ten minute clips sequentially in order to use TVEyes as a substitute for viewing Fox News' programming on television.[193]

In the same vein, the court might have given more weight to the fact that Fox News refused to license its news clips for any use that was deroga-

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[190] 508 F.3d 1146 (9th Cir. 2007).

[191] 336 F.3d 811 (9th Cir. 2003).

[192] *See, e.g.*, Warner Bros. Entm't, Inc. v. RDR Books, 575 F. Supp. 2d 513, 540 (S.D.N.Y. 2008) discussed at *supra* note 148 and accompanying text.

[193] Fox News Network, LLC v. TVEyes, Inc., 124 F. Supp. 3d 325, 369 (S.D.N.Y. 2015).

tory or critical of Fox News.[194] Given the obvious public interest in exposing a leading television news provider to scrutiny, it is surprising that the Court of Appeals did not address how this affected the reasonableness of the amount and substantiality of the TVEyes snippets. However, if it had, there is no guarantee that this would have altered its assessment that the snippets were simply too long.

These criticisms notwithstanding, TVEyes arguably only has itself to blame for the outcome of the case. The company's media monitoring service could have been designed in a way that made it much clearer that any expressive use of the underlying works was merely an adjunct to the search function and was unlikely to pose a risk of expressive substitution. Ten minutes does seem like a very long time in light of the nature of the works. *TVEyes* does not threaten the vitality of the *Authors Guild* precedents, but it does contain a broader lesson: even in a text mining context, courts will continue to police the amount and substantiality of expressive uses to ensure that they are both reasonable and proportional in light of their transformative justification.

Notwithstanding the muddled doctrinal discussion in *TVEyes*, there is no serious threat that the tide will turn against TDM and similar non-expressive uses in American copyright law. The essential reasoning of the *Authors Guild* cases is built on the foundation of the idea-expression distinction and it is consistent with similar copy-related technology cases addressing software reverse engineering, image search, and plagiarism detection software. Nothing in *TVEyes* disturbs the conclusion that it is now abundantly clear that text mining and other non-expressive uses of in-copyright works qualify as fair use under United States law. The remainder of this article explores what this means for the future of TDM research.

II. TEXT DATA MINING IN AN INTERNATIONAL CONTEXT

The most obvious limitation of recent United States fair use rulings on the legality of TDM practices is that they only apply to activities subject to American law. Although there has been a great deal of international harmonization in copyright law, the copyright laws of each country are distinct and tend to diverge quite significantly when it comes to the application of law to emerging technology. These differences are important because commercial and academic research is often based on collaborations across institutions and national borders. Many initiatives that facilitate TDM research are open to researchers from different institutions and varied jurisdictions. Cross-institutional arrangements can complicate licensing and security issues and cross-border research can implicate for-

[194] *Id.* at 387.

eign copyright law, which is generally not as receptive to TDM as is the United States.

A. The Status of TDM in Other Jurisdictions

From the point of view of United States researchers and their supporting institutions, the most important consideration with respect to the international landscape for TDM research is the degree to which copyright around the world varies in its treatment of text mining and other non-expressive uses of copyrighted works. Copyright is the subject of a number of international agreements, but the copyright laws of any given jurisdiction usually only apply to acts of infringement taking place within those jurisdictions. In other words, copyright law is territorial: overseas conduct typically does not violate United States copyright law,[195] and conduct within the United States is judged on American standards of infringement, regardless of the nationality of the rights holder or the alleged infringer.[196] These "choice of law" considerations are obviously very important given that, as of the time when this article was written, only a few countries other than the United States have caselaw or statutes that explicitly or clearly allow for TDM research without the consent of the copyright owner, and among those few who have enacted specific TDM exemptions, none allows for such uses by commercial actors.

Other jurisdictions have begun to address the legal status of TDM and similar non-expressive uses of copyrighted works, but there are very few places where the law is as clear and/or as favorable as in the United States. In this and many other areas, the rest of the world has lagged behind the U.S. in adapting copyright law to new technology. Much of this lag can be attributed to the institutional design of copyright law in these countries.[197] Consistent with the best traditions of the common law and

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195 The transmission of a work from outside the U.S. would be considered to take place both at its origin and at its destination.

196 However, note that United States courts apply foreign law to questions of ownership. *See* Itar-Tass Russian News Agency v. Russian Kurier, Inc., 153 F.3d 82, 90-91 (2d Cir. 1998) (applying Russian law to issue of copyright ownership and American law to infringement issue); *see also* PRINCIPLES OF INTELLECTUAL PROPERTY § 301(1)(a) (Am. Law Inst. 2008) (for registered rights, "[t]he law applicable to determine the existence, validity, duration, attributes, and infringement of intellectual property rights and the remedies for their infringement is . . . the law of each State of registration.").

197 *See* Matthew Sag, *Predicting Fair Use*, 73 OHIO ST. L.J. 47, 85-86 (2012) (citing IAN HARGREAVES, DIGITAL OPPORTUNITY: A REVIEW OF INTELLECTUAL PROPERTY AND GROWTH (2011), https://www.gov.uk/government/publications/digital-opportunity-review-of-intellectual-property-and-growth) (explaining that without change to the UK's copyright provisions, the country will continue to lag behind the United States in technological innovation).

common law statutes, the fair use doctrine gives American courts flexibility to apply the core values of copyright to new situations.[198] In contrast, in the European Union and many other jurisdictions, limitations and exceptions to copyright are confined to a static list that courts tend to read narrowly.[199] Most if not all common law countries other than the United States have a slightly more confined version of the fair use doctrine, generally referred to as fair dealing. Fair dealing has the same historical roots as the fair use doctrine,[200] and is thus a part of copyright law in Australia, Canada, New Zealand, and the United Kingdom, among others, but fair dealing tends to be confined by statute to particular purposes[201] and is thus not sufficiently flexible to meet the challenges of new technology in most cases. In Australia and the United Kingdom, in particular, courts have read the fair dealing purposes narrowly;[202] whereas in Canada, the recent trend brings the jurisprudence much closer to the U.S. position.[203] Accordingly, it would not be surprising to see Canadian courts follow the lead of their American counterparts and recognize TDM and other non-

198 Campbell v. Acuff-Rose, Inc., 510 U.S. 569, 577 (1994).

199 *See* Infopaq Int'l A.S. v. Danske Dagblades Forening, Case C-5/08, ¶¶ 56, 57 [2009] ECR I-6569; Football Ass'n Premier League and Others, Cases C-403/08 and C-429/08, ¶ 162, [2011] ECR I-9083. However, it is at least arguable in light of *Infopaq II* (C-302/10) that a TDM process that destroys all traces of the intermediate copies could fall within the scope of Article 5(1) of the Information Society Directive. *See* Richard Eckart de Castilho et al., A Legal Perspective on Training Models for Natural Language Processing (Mar. 2018), https://www.researchgate.net/publication/323668123_A_Legal_Perspective_on_Training_Models_for_Natural_Language_Processing.

200 *See generally* Matthew Sag, *The Prehistory of Fair Use*, 76 BROOK. L. REV. 1371 (2011) (explaining that the fair use doctrine is the continuation of a long line of English fair abridgment cases, dating back to the beginning of statutory copyright law in 1710).

201 *But see* Ariel Katz, *Fair Use 2.0: The Rebirth of Fair Dealing in Canada*, *in* THE COPYRIGHT PENTALOGY: HOW THE SUPREME COURT OF CANADA SHOOK THE FOUNDATIONS OF CANADIAN COPYRIGHT LAW 93-156 (Michael Geist ed., 2013), https://ssrn.com/abstract=2206029) (arguing that "the distinction between US-style open-ended fair use and fair dealing is a myth" and that the codification of fair dealing was not designed to limit its application to the enumerated purposes).

202 Fair dealing in Australia allows a person to use a copyrighted work without permission if it falls into a specific purpose of research or study, criticism or review, reporting news, or parody and satire. *See* Copyright Act 1968 (Cth) pt. III, div 3, ss 40–42. *See generally* Melissa June de Zwart, *Seriously Entertaining: The Panel and The Future of Fair Dealing*, 8 MEDIA & ARTS L. REV. 1, 17 (2003) (arguing that Australia's fair dealing statute is "unduly narrow").

203 Canada's fair dealing statute protects similar areas to those of Australia. *See* Copyright Act, R.S.C. 1985, c C-42, s 29–29.2 (Can.). However, unlike Australia's limited structure for when fair dealing is applicable, Canada's analysis uses a test and factors similar to those of the United States. *See* Soc'y of Composers, Authors, and Music Publishers of Cana v. Bell Canada, [2012] 2 S.C.R. 326 (Can.).

expressive use as fair dealing. A number of jurisdictions have incorporated aspects of fair use in their copyright law recently, but courts in those countries have not yet addressed issues similar to those raised in the *Authors Guild* cases.[204]

Of course, courts are not the only option to address potential conflicts between copyright and copy-reliant technology. This article is not the place for a comprehensive survey of recent and pending legislation relating to TDM, but a few recent highlights are worth noting. In 2014, the United Kingdom became the first member of the European Union to make room for TDM within its copyright law. The U.K. exception allows a person who has lawful access to a copyrighted work to make a copy of that work for computational analysis, but solely for non-commercial research purposes.[205] Similar laws are now in effect in France,[206] Estonia,[207] and Germany.[208] There are some significant differences between these laws. For example, the French exception only applies to "text and data included or associated with scientific writings" and only with respect to reproduction from "lawful sources."[209] The German exception contains

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204 *See generally* Peter K. Yu, *Fair Use and Its Global Paradigm Evolution*, 2019 U. ILL. L. REV. (2019), https://ssrn.com/abstract=3206464 ("Israel, Liberia, Malaysia, the Philippines, Singapore, South Korea, Sri Lanka, and Taiwan have adopted the fair use regime or its close variants."). *See, e.g.*, Copyright Act, 2011, art. 35*ter* (S. Korea); 119 Copyright Act, 2007, § 65 (Taiwan).

205 *See* UK Copyright, Designs and Patents Act 1988, § 29A (UK) (amended by Regulation 3 of the Copyright and Rights in Performances (Research, Education, Libraries and Archives) Regulations 2014, No. 1372.

206 Article 38 of Law No. 2016-1231 38 for a Digital Republic added paragraph 10 to article L122-5 and paragraph 5 to article L342-3 of the Intellectual Property Code [Code de la propriété intellectuelle] (Fr.) (providing a TDM exception for works and databases respectively).

207 *See* Estonian Copyright Act art. 19(3).

208 Urheberrechtsgesetz [Law on Copyright and Related Rights] art. 60d (Ger.) (amended on June 30, 2017, effective March 1, 2018). Note also that a bill is pending in Ireland that would allow text and data mining for non-commercial research on similar terms to the United Kingdom exemption. *See* Copyright and Other Intellectual Property Law Provisions Bill 2018 (Bill No. 31/2018) (Ir.), https://www.oireachtas.ie/documents/bills28/bills/2018/3118/b3118d.pdf. This change was based on a 2013 study, *Modernising Copyright*, which examined current Irish copyright law. *See* COPYRIGHT REV. COMM., DEPT. OF JOBS, ENTS., AND INNOVATION, MODERNISING COPYRIGHT (2013), https://dbei.gov.ie/en/Publications/Publication-files/CRC-Report.pdf. Note that Article 47(7) of the Japanese Copyright Act contains an exception for information analysis, comparison or classification or statistical analysis.

209 *See* Christophe Geiger, Giancarlo Frosio & Oleksandr Bulayenko, The Exception for Text and Data Mining (TDM) in the Proposed Directive on Copyright in the Digital Single Market Legal Aspects (Center for International Intellectual Property Studies Research Paper No. 2018-02).

neither of these restrictions.[210] The United Kingdom and Estonian exceptions only apply to the right of reproduction, with the very limited additional allowance for post-TDM communication for the purpose of quality assurance. In contrast, the French law allows for the storage and communication of files created in the course of TDM research activities.

In April 2019, the European Union adopted the Digital Single Market Directive ("DSM Directive") featuring two mandatory exceptions for text and data mining along with a raft of other measures relating to online activity and platform regulation.[211] Article 3 of the DSM Directive requires all members of the European Union to implement a broad copyright exception for TDM in the not-for-profit research sector. Specifically, members must allow research organizations and cultural heritage institutions to make reproductions and extractions of copyrighted works "for the purposes of scientific research, text and data mining."[212] The exemption is premised on the user's lawful access to the works being mined. The Article 3 exemption is intended to be robust. Thanks to Article 7(1) of the DSM Directive, the Article 3 exemption is immune from contractual override. Furthermore, Article 3(3) provides that rightholders may adopt measures to secure their networks and databases, but that "[s]uch measures shall not go beyond what is necessary to achieve that objective." It is hard to imagine any theory of the fair use doctrine that would impose a similar non-obstruction requirement on copyright owners in the United States.

Article 4 of the DSM Directive contains a second mandatory exemption that is more inclusive, but narrower in scope. The Article 4 exemption is open to all would-be data miners (commercial and non-commercial alike), but it is focused more narrowly on reproductions and extractions for the purpose of "text and data mining," i.e., it lacks the broader "scientific research" purpose of Article 3.[213] Consistent with Article 3, the Article 4 exemption is premised on lawful access to the works in question.[214] Unlike Article 3, the Article 4 exemption is not protected from contractual override or technological roadblocks. Moreover, the Article 4 exemption is subject to an express reservation by the rightsholders. This means that although the right to apply TDM methods to a text will soon be the new default throughout the EU, rightsholders will be able to opt out of that

210 *Id.*

211 Directive 2019/790, O.J. 2019 (L 130/92) (hereinafter DSM Directive).

212 Article 3(1) of the DSM Directive. "Research organization" is defined broadly to include universities and private research organizations, but only those that operate on an independent not-for-profit basis. "Cultural heritage institution" is defined as "a publicly accessible library or museum, an archive or a film or audio heritage institution." See Article 2(1) and (3) of the DSM Directive.

213 DSM Directive art. 4(1).

214 *Id.*

default by simply reserving their rights "in an appropriate manner, such as machine readable means in the case of content made publicly available online."[215]

Another significant difference between Article 3 and Article 4 relates to retention of works copied as part of a text mining process. Under the Article 3 exemption, the covered organization must adopt an "appropriate level of security" and may be retain the works "for the purposes of scientific research, including for the verification of research results."[216] Whereas, under Article 4 the works may be retained only "for as long as is necessary for the purposes of text and data mining."[217] This stricter retention requirement could prove to be significantly more restrictive for commercial text miners than what is required under United States law.

B. Divergent Standards of Reproduction

The question of whose copyright law applies is also significant when dealing with copyrighted texts, individuals, or institutions located in other countries because there is no international consensus on the level of similarity that makes one work a reproduction of another work.[218] In particular, minor expressive uses of an underlying text as an adjunct to some broader TDM process will usually pass muster under United States copyright law, but are quite likely to infringe copyright in the European Union. Furthermore, it is technically possible that a machine-learning model trained on a collection of texts could amount to an unauthorized adaptation[219] of those texts under some very special circumstances. This is a very remote possibility under prevailing United States law, but the low threshold of similarity tolerated under European copyright law makes it a more plausible threat there, although it is still unlikely in most contexts.

In the United States, extracting a short phrase or snippet of text from one work and using it in another does not amount to a reproduction of the work if the localized similarity is not substantial,[220] is not quantitatively or qualitatively significant,[221] or is otherwise de minimis.[222] In *Google*

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215 *Id.* art. 4(3).
216 *Id.* art. 3(2).
217 *Id.* art. 4(2).
218 Indeed, some despair of the lack of consistency with which American courts approach the question. *See* Mark A. Lemley, *Our Bizarre System for Proving Copyright Infringement*, 57 J. COPYRIGHT SOC'Y 719 (2010); Pamela Samuelson, *A Fresh Look at Tests for Nonliteral Copyright Infringement*, 107 NW. U. L. REV. 1821 (2013).
219 A "derivative work based upon the copyrighted work" in the words of the United States Copyright Act.
220 *See* Twin Peaks Prods. v. Publ'ns Int'l, Ltd., 996 F.2d 1366, 1372 (2d Cir. 1993).
221 *See, e.g.*, Newton v. Diamond, 388 F.3d 1189, 1195 (9th Cir. 2004); Palmer v. Braun, 287 F.3d 1325, 1330 (11th Cir. 2002).

Books, for example, depending on the book in question, a three-line snippet display could range anywhere from twenty to fifty words. The parties in that case argued this issue in terms of fair use, rather than reproduction, because it was easier to address the fair use question on a class-wide basis. A fifty-word extract might trigger the threshold of reproduction under United States law, but outside the context of extraordinarily brief works, such as a haiku, an American court would not consider the copying of much shorter strings in the range of ten to fifteen words could do so.[223] However, in the European Union, courts take a different view.

In the 2009 *Infopaq* case, the European Court of Justice ("ECJ") held that a media monitoring service — a service that functioned not unlike Google Books — might be infringing copyright by displaying search results with an eleven-word snippet of surrounding text. The eleven words comprised the user's single-word search term and five words on either side of that term. The court held that an eleven-word snippet could constitute reproduction in part within the meaning of Article 2 of European Copyright Directive "if that extract contains an element of the work which, as such, expresses the author's own intellectual creation," and that it was for the national court to make this determination.[224] The *Infopaq* court also held that, assuming that the eleven word snippets constituted a reproduction, they were not excused by the exception for temporary and incidental uses as part of a technological transmission process under Article 5(1) of the Information Society Directive. The ECJ did not consider whether briefly presenting search results in context was a transformative use, whether it was reasonable and proportionate, or whether it was likely to substitute for the copyright owner's original expression. It failed to weigh these considerations because the rigid structure of European copyright law and the time allowance for them.

From an American perspective, the odd thing about the *Infopaq* case is that the court does not really discuss the concept of substantial similarity directly. This is partly an issue of framing: courts outside the United States tend to address the reproduction right in terms of whether a copy of a "substantial part" of the work has been made, rather than in terms of whether the two works are "substantially similar." In the mine run of in-

222 On Davis v. The Gap, Inc., 246 F.3d 152, 173 (2d Cir. 2001) (as amended (May 15, 2001) (noting that although it is rarely discussed, the de minimis doctrine is an important aspect of the law of copyright).

223 Individual words and short phrases are generally thought to lack sufficient creativity to merit copyright protection and the Copyright Office has denied registration to words and short phrases since at least 1899. *See* Southco, Inc. v. Kanebridge Corp., 390 F.3d 276, 285 (3d Cir. 2004); 37 C.F.R. § 202.1(a) (2018).

224 Infopaq Int'l A.S. v. Danske Dagblades Forening, Case C-5/08, ¶ 48 [2009] ECR I-6569. But this is a subject best left for another paper.

fringement actions, there is no meaningful difference; however, there may be differences at the extreme. The ECJ's approach to copyright infringement implies that whatever the smallest identifiable quanta of creativity or authorship in a work might be, that quanta should be protected from reproduction as though it were a separate work and not just a small part of some larger work. This seems wrong on a practical and theoretical level. On a practical level, as the Ninth Circuit explained in *Google v. Garcia*,[225] treating every copyrighted work as an assembly of thousands of smaller works "would result in a legal morass, making Swiss cheese of copyrights."[226] To clear rights in the film *My Cousin Vinny*, for example, one would need to negotiate with everyone from the studio down to Timothy Aaron Styles who played the uncredited role of "Featured Juror."[227] Protecting copyrighted works from similarity at the quantum level is not just impractical, it does considerable violence to the idea of copyright at a theoretical level because it makes the threshold of similarity for infringement coterminous with the originality standard. Treating every work as simply a basket of smaller works, each of which is protected from unauthorized reproduction at the quantum level, disregards the reality of what the work is and how it was understood by the relevant community.

Not all of the implications of the low threshold of reproduction established in the *Infopaq* case are obvious. It does not take much imagination to see that this low threshold is important for TDM researchers who would like to use fragments of original text to present users with a menu of search results. This was exactly what the *Infopaq* case was about. In the United States, using a brief snippet of text this way might not trigger the threshold of reproduction at all. Even if it did, it would almost certainly be fair use, for the reasons explained in *Google Books* and the visual search engine cases.[228] Yet the exact same snippet would likely be infringing in any jurisdiction within the European Union. The ramifications of the *Infopaq* decision may go yet deeper than that. Even putting the issue of display snippets to one side, it is just possible that the low threshold of similarity in *Infopaq* could complicate the internal workings of TDM research as well, particularly in the context of machine learning.

Many researchers who rely on material governed by open licenses would be quite surprised by the assertion that training an algorithm on those texts could somehow violate copyright. Yet this is a theoretical pos-

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225 Garcia v. Google, Inc., 786 F.3d 733 (9th Cir. 2015) (en banc).

226 *Id.* at 742 (internal citations and quotations omitted).

227 *My Cousin Vinny, Full Cast & Crew*, IMDb, https://www.imdb.com/title/tt0104952/fullcredits?ref_=TT_cl_sm#cast (last visited Apr. 23, 2018).

228 Authors Guild v. Google, Inc., 804 F.3d 202, 223 (2d Cir. 2015); Perfect 10, Inc. v. Amazon.com, Inc., 508 F.3d 1146 (9th Cir. 2007); Kelly v. Arriba Soft Corp., 336 F.3d 811 (9th Cir. 2003).

sibility where the open license at issue contains a "no derivatives" clause.[229] This contention requires some unpacking. Generally, the algorithms that process text are entirely distinct from the texts they process, but in some machine learning contexts, new generations of the algorithm might contain fragments of earlier texts. For example, the first generation of a machine learning algorithm might determine that the text string "Friends, Romans, countrymen, lend me your ears" has particular significance. It might then search for that string in future applications. The code implementing that search might look something like the following:

> generate friends=1 if regexm(lower(text), "friends, romans, countrymen, lend me your ears")

This command tells the computer to generate a new variable called "friends" equal to one if the search term "friends, romans, countrymen, lend me your ears" appears inside the main text that has been rendered entirely in lowercase. In the United States, it is almost inconceivable that this algorithm would contain enough of the text to constitute a derivative work, but even if it did, it would be fair use for reasons already addressed in this article. In contrast, in the European Union, the low threshold of similarity suggested by *Infopaq* combined with the fact that there is no harmonized approach to what amounts to an adaptation means that this possibility is not so easily dismissed. Assuming no relevant permission has been granted, if embedding text equivalent to "friends, romans, . . ." within a machine learning algorithm made the algorithm an adaptation of the original work (or in terms of the U.S. statute, "a derivative work based on the copyrighted work"), then the algorithm would violate the copyright in the training text.

The European Union text mining project, OpenMinted, takes this scenario seriously and it has developed a compatibility matrix to give TDM researchers some guidance on the implications of combining source material under different and possibly conflicting open license terms.[230] However, even in the European Union, the problem may be more theoretical than actually real for all but a few TDM and machine learning applica-

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[229] *See, e.g.*, Attribution-NonCommercial-NoDerivs 4.0 Generic (CC BY-NC-ND 2.5), CREATIVE COMMONS, https://creativecommons.org/licenses/by-nc-nd/4.0. I am grateful to Dr. Thomas Margoni at the University of Glasgow School of Law for alerting me to this possibility.

[230] The OpenMinTeD WG3 Compatibility Matrix was developed by Thomas Margoni and Giulia Dore of the University of Glasgow. *See OpenMinted Presents Licence Compatibility Tools at IP Summer Summit*, OPENMINTED (Dec. 7, 2017), http://openminted.eu/openminted-presents-licence-compatibility-tools-ip-summer-summit. For the beta site for the OpenMinTeD WG3 Compatibility Matrix, see OPENMINTED, https://openminted.github.io/releases/license-matrix (last visited Apr. 23, 2019).

tions. The first reason to doubt whether including a string extracted from a copyrighted work and embedded into machine learning or text mining algorithm would infringe copyright is that searching on strings of more than five or six words would be quite uncommon. To be sure, an algorithm might call upon a long list of Ngrams derived from a copyrighted work ranging from single word frequency counts to four, five, or even six word Ngrams.[231] Yet these lists, especially at the low end, are not much more than an unstructured bag of words and should not trigger even the low threshold of reproduction in the *Infopaq* decision.

Ngrams where n is larger than five are uncommon for reasons that have nothing to do with copyright law. They are uncommon because they are computationally expensive and not very useful. The thing to understand is that machine learning algorithms rely on abstract features to represent data and every Ngram in this context would count as a feature. For example, Act I, Scene I of Shakespeare's *Julius Caesar* consists of 597 words of dialog; it contains only 219 unique words, but 838 unique three-word ngrams, and 1,457 unique five word ngrams.[232] Working with 1,457 long features is more computationally demanding than 219 short ones. Moreover, the short ones are likely to be more useful in establishing patterns worth looking for in future texts.[233] "Friends, romans, countrymen, lend me your ears" is an iconic quote from Julius Caesar, but it is not a useful feature for a machine learning algorithm studying Shakespeare to work with because it only occurs once.

There is an additional reason to suspect that the derivative work scenario discussed above is unlikely to be a problem in the real world. Even where working with longer strings is necessary, actually embedding those strings as literal objects within the code is easily avoided. To identify the string "friends, Romans, countrymen, lend me your ears" without repeating it, one could identify strings containing both "ears" and "friends," confirm that there are five words in between, that the seven-word string bookended by "ears" and "friends" has forty-six letters and an ASCII total of seventy. This might seem circuitous and even slightly ridiculous, but a method like this could be more computationally efficient and more robust in the face of optical character recognition ("OCR") errors and inconsistent punctuation. The larger point, however, is that there are ways

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231 *See, e.g.*, Hristo S. Paskov et al., Compressive Feature Learning (2013), https://papers.nips.cc/paper/4932-compressive-feature-learning.pdf.

232 Based on my own calculations. Note that my ngram script crashed when I attempted these calculations for the entire text of Julius Caesar, which nicely illustrates the point.

233 *See* Paskov, *supra* note 231, at 1 ("Computationally, a smaller feature set is almost always advantageous as it requires less time and space to train the algorithm and make inferences.").

to search for longer strings without repeating them. A still larger point is that researchers are rarely interested in identifying exact matches for such long strings of words.

In sum, copyright law in the United States is far better attuned to the needs of TDM researchers than in most other countries. To begin with, the fair use doctrine provides greater flexibility than limited statutory exceptions, such as those proposed in the DSM directive. Moreover, the low threshold required to trigger the reproduction right in Europe raises some complicated questions about derivative works in the context of machine learning that should not concern American researchers. These differences give the U.S. a comparative advantage in TDM research in general, and in the burgeoning field of machine learning in particular. They are also an important factor to consider in structuring any transnational research programs, as will be addressed more fully in the next Part.

III. TEXT DATA MINING IN A COMPLEX AND DIVERSE INFORMATION ECOSYSTEM

The *Authors Guild* cases provide a solid foundation for TDM research in the United States, but they do not directly or definitively address all of the legal issues facing TDM researchers and their supporting institutions. As discussed in Part I, the *Authors Guild* cases answered an important question of copyright law facing almost every imaginable kind of TDM research: the protection the law gives to copyright owners with respect to original expression is not inherently incompatible with modern technologically enabled methods of knowledge discovery such as text mining. Nonetheless, there are potential limits to the *Authors Guild* holdings that need to be addressed in any TDM research proposal. Those cases say nothing about the potential constraints imposed by contract law, statutes, such as the Computer Fraud and Abuse Act, and the Digital Millennium Copyright Act ("DMCA").[234] The *Authors Guild* cases also provide only limited guidance with respect to snippet displays and security issues. Unlike the basic question of whether copying for the purpose of text mining amounts to copyright infringement, these unresolved issues are not susceptible to definitive answers in the abstract. Any attempt to answer these questions must take account of the varied information ecosystems in which TDM research might take place.

TDM research takes place in a complex and diverse information ecosystem populated by authors, copyright owners, supporting institutions,

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234 This article does not address the important issue of data privacy, compliance with the European Union General Data Protection Regulation, and sector specific privacy laws, such as those relating to medical information under the Health Insurance Portability and Accountability Act of 1996.

and grant-making organizations, as well as state and federal governments which provide direct and indirect subsidies to all of the above. TDM researchers focusing on trends in English literature will inevitably face different issues to those performing analogous studies in relation to biomedical research. English literature texts are generally published books that will have already been captured by the Google Book Project and thus are contained within the HathiTrust corpus. Biomedical research, in contrast, is typically published in journals that are already digitized, but under the control of publishing houses that see the provision of access as an ongoing revenue stream. Moreover, TDM researchers are not all alike. TDM research is conducted by for-profit multinational corporations as well as academics and students supported by research and educational institutions. As already noted in Part II, academic research is often based on collaborations across institutions and national borders. These cross-border arrangements can complicate licensing and security issues and implicate foreign copyright laws that are not as receptive to TDM as the United States'.

A. A Four Stage Model of TDM Research

This Part explores the legal constraints and opportunities facing TDM researchers and their supporting institutions now that the initial fair use question presented in the *Authors Guild* cases has been resolved. Doing so requires some simplifying assumptions. In order to provide particularized analysis without eliding complexity, this Part divides the process of TDM research into a four-stage analytical model and explains the intertwined practical and legal considerations that must be addressed at each stage of that model.

In a very narrow sense, text mining is a distinct analytical process of applying algorithms to text to generate data. However, that description glosses over fundamental questions, such as: "From where do the works come?" "How are they converted into an algorithm-friendly format?" and, "How will the derived data be used?" Taking the broader view, it is useful to conceptualize any TDM research project in terms of the following four stages: (1) Access (either physical or digital); (2) Extraction (copying); (3) Mining (analytical processing, internal verification, and external validation); and (4) Use. These stages and the issues raised therein are listed in Figure 2, below.

Figure 2: Four-Stage Model of TDM Research and Associated Issues

STAGE	ISSUES
Access	Acquisition of physical copies Access to third party's physical copies Digital access – Terms of service Digital access – Breaking TPM
Extraction	Copying Copying – Works outside United States Retention of copies Security measures I
Mining	Analytical processing Security measures II Degree of access to underlying works
Use	Using the data Presenting search results Verification/validation Opening the underlying text's ordinary expressive uses

This four-stage model is conceptual rather than chronological. The conceptually-distinct categories of Access, Extraction, Mining, and Use, will not necessarily be cleanly separated. Most obviously, Access and Extraction will often be achieved in the same technical process for works that already exist in digital form. Furthermore, although it makes conceptual sense to think of Mining as a predicate to Use; in reality, TDM research usually involves an iterative procedure in which the results from an initial analytical process are inspected and validated against the underlying text, leading to successive rounds of Mining and Use.

1. Access

The first practical consideration in TDM research is obtaining access to the underlying works. Different access strategies have different legal implications depending on the mode of access and the nature of the material, whether it is printed or electronic.

a) Works in print

To digitize works embodied in physical copies owned by libraries and other public institutions, one only needs access to and cooperation from those institutions. This is a matter of property and contract law, as opposed to copyright. Even libraries and archives that are required to admit the public may still place conditions on entry and they are unlikely to take kindly to researchers simply turning up with scanners. More likely, libraries and archives will to want to negotiate specific terms addressing the burden on library facilities, the risk of loss or damage to the subject works,

responsibility for insurance, and indemnities against third party claims of copyright infringement. These issues and many more were addressed in Google's agreements with university libraries in conjunction with Google Books.[235] Those agreements also provided that Google would transfer copies of the works it scanned (both as text and as image files), and addressed the permitted uses of those files by the universities going forward.[236] Researchers working with special collections may also be asked to comply with additional restrictions imposed on the collection-holder by its donors.[237]

Of course, another way to get access to a library is to become a library. Simply buying printed copies of works in order to digitize them may not be cost-effective for large digitization projects, but it has the attraction of sidestepping several layers of permissions and negotiations. Thanks to copyright law's first sale doctrine,[238] the owner of a physical copy of a work may sell, donate, or otherwise dispose of that work free of any consequences under the Copyright Act.[239] It is quite common to see boilerplate language prohibiting reproduction and storage in a retrieval system at the beginning of a book, but such one-sided injunctions do not automatically create an enforceable contract between publisher and buyer. Moreover, even if the publisher of a work and the first purchaser agreed between themselves that particular books would not be used for text min-

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235 University of Michigan-Google Cooperative Agreement, https://www.lib.umich.edu/sites/default/files/services/mdp/um-google-cooperative-agreement.pdf; *see also* Authors Guild, Inc. v. Google Inc., 954 F. Supp. 2d 282, 286 (S.D.N.Y. 2013) (describing the library agreements in general terms).

236 The agreement with Google gave the University of Michigan the right to use its digital copies as part of services operated on the University of Michigan's website. However, the university was to restrict access to the Michigan digital copies to those persons having a need to access such materials and to take various steps to prevent third parties from downloading the works for commercial purposes, redistributing the works, or downloading the image files in an automated and systematic manner. *See id.* Section 4.4.1. The agreement allowed the University of Michigan to provide web services in cooperation with other institutions, provided they were subject to analogous restrictions. *See id.* Section 4.4.2.

237 Rachael G. Samberg & Cody Hennesy, Law & Literacy in Non-Consumptive Text Mining: Guiding Researchers Through the Landscape of Computational Text Analysis, *in* Copyright Conversation: Rights Literacy in a Digital World (Sara Benson ed., 2018) (forthcoming).

238 17 U.S.C. § 109(a) (2012) ("Notwithstanding the provisions of section 106 (3) [the distribution right], the owner of a particular copy . . . is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy . . . .").

239 *Id.*; *see also* Kirtsaeng v. John Wiley & Sons, Inc., 568 U.S. 519 (2013) (noting that the first sale doctrine encourages competition, frees courts from the administrative burden of trying to enforce restrictions upon readily movable goods, and avoids selective enforcement).

ing, these terms would not bind subsequent purchasers and would not be enforceable against them. The first sale doctrine does not authorize the copying of works, merely their sale and distribution,[240] but once the book is in the researcher's hands, the legality of copying becomes a question of fair use and we can move on to Stage 2.

b) Works in digital form

If the target works have already been digitized or were simply born digital, then to conduct TDM research one simply needs access to relevant storage media or computer systems. This may not be straightforward, however, because digital works are typically hosted on computer systems subject to "terms of use" restrictions and/or technological restrictions designed to prevent data mining. Assuming that copying for the purpose of text mining would otherwise qualify as fair use, if the target works are available without restriction on the Internet, access is merely a technological question. For example, *Wikipedia* includes a cornucopia of over five million Creative Commons licensed works in a fully machine readable format.[241] This has made *Wikipedia* a key source of training data for nearly every modern AI system dealing with facts.[242] Project Gutenberg and the Internet Archive are also important sources of what Amanda Levendowski refers to as low-friction data, i.e., works that are not subject to copyright or which are licensed on terms that allow TDM.[243]

Unfortunately, the same attributes that make a set of works low-friction can present a problem of selection bias that undermines specific research objectives. As Levendowski points out, in the AI context, relying on low-friction data risks reflecting and exacerbating social biases. The authors of English language Wikipedia entries skew white-male compared to the general population; the authors of works of literature in the public domain (typically those published prior to 1923) skew white-male-dead. The low hanging fruit of public domain and Creative Commons licensed

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240 *See, e.g.*, Capitol Records, LLC v. ReDigi, Inc., 910 F.3d 649 (2d Cir. 2018). For a different view, see Aaron Perzanowski & Jason Schultz, *Digital Exhaustion*, 58 UCLA L. Rev. 889 (2011); Ariel Katz, *Digital Exhaustion: North American Observations*, *in* Research Handbook on Electronic Commerce Law 137-67 (John A. Rothchild ed., 2016), https://ssrn.com/abstract=2857729.

241 *See English Wikipedia*, Wikipedia, https://en.wikipedia.org/wiki/English_Wikipedia (last edited Apr. 23, 2019).

242 *See* Amanda Levendowski, *How Copyright Law Can Fix Artificial Intelligence's Implicit Bias Problem*, 93 Wash. L. Rev. 579, 619 (2018). As Levendowski notes, reliance on *Wikipedia* and similar sources risks reflecting or exacerbating societal biases of various kinds.

243 *Id.* at 589.

works are usually not just low-friction data; they are biased, low-friction data.[244]

Public domain and Creative Commons licensed works hosted by nonprofits are a special case; more typically, accessing electronic repositories potentially involves entering into a contract regarding terms of service or an end user license agreement. This may be true even if the works themselves are in the public domain.[245] This is what you are agreeing to when you click "I agree" to open an account with Westlaw or JSTOR.[246] Caution suggests acting on the assumption that such terms are enforceable unless they contain unilateral provisions that are so surprising and unfair that they "shock the conscience."[247] The point is not beyond argumentation, but researchers should expect that terms prohibiting text mining and scraping the contents of those repositories are valid and enforceable. Unfortunately, it is all too easy for individual researchers to be unaware of the terms of use that apply to them in an institutional setting. University libraries and digital repositories generally aim to make access to licensed databases as seamless as possible for students, researchers, and faculty. This is obviously beneficial in general, but it can obscure the applicable contractual terms from the point of view of those individuals.[248]

Even if they are aware of the relevant conditions, individual researchers may not be overly troubled by contractual restrictions if they believe that the repository is unlikely to object to their actions and that they personally face quite limited consequences from any potential breach of contract. On the other hand, supporting institutions need to take seriously

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244 *Id.*

245 The HathiTrust is one example.

246 For example, the online digital library JSTOR requires a user to indicate their acceptance of the JSTOR terms and conditions before they can create an account and access the database. Acceptance is indicated by clicking a checkbox next to a rout statement: "Your use of JSTOR indicates your acceptance of the Terms & Conditions of Use"; clicking on "Terms & Conditions" will take the user to the full terms and conditions for the website, should they wish to read them. *Register for a free account*, JSTOR, https://www.jstor.org/register?redirectUri= (last visited Mar. 23, 2018).

247 Unless the end user license agreement is so one-sided that it is substantively oppressive, a user likely cannot find any relief from the court on procedural grounds, either. *See* Davidson & Assocs., Inc. v. Internet Gateway, Inc., 334 F. Supp. 2d 1164, 1179 (E.D. Mo. 2004) (finding that end user license agreement was not unconscionable because it was not surprising or an act of coercion, and no terms were so one-sided as to shock the conscience). Note the website terms that do not require an affirmative action by the user, so-called "browse-wrap" agreements, may not be enforceable.

248 Indeed, there may be no contract between the repository and the individual researcher at all. But the researcher might still be causing his or her institution to violate the terms of its agreement with a supplier.

potential breaches of contract that could jeopardize the availability of important resources for an entire institution. Some publishers and repositories allow certain kinds of TDM, some even facilitate it, but many others seek to prohibit it or negotiate different licensing terms relating to TDM with different institutions.[249] Universities would be wise to consider adopting system-wide policies on TDM access rather than leaving it to libraries to negotiate on a case-by-case basis.

Beyond mere contract law violations, gaining unauthorized access to a digital repository could trigger both civil and criminal liability under the federal Computer Fraud and Abuse Act ("CFAA") and similar state anti-hacking laws.[250] The CFAA is a pre-Internet law aimed at preventing computer hacking and there is some ambiguity as to the scope of conduct it prohibits. As the Supreme Court has explained, the statute "provides two ways of committing the crime of improperly accessing a protected computer: (1) obtaining access without authorization; and (2) obtaining access with authorization but then using that access improperly."[251] Accessing a password-protected computer system without authorization or when authorization has been specifically revoked violates the CFAA.[252] Whether merely violating conditions of access to a computer system that is not open to the public triggers CFAA liability is matter of contention. The better view, adopted in the Ninth Circuit and the Fourth Circuit, is that it does not.[253] However, the First, Seventh and Eleventh, take a broader view of what it means to "exceed authorized access" under the CFAA.[254] Researchers should note, however, that if a computer system is available to the public at large without registration or password protection, the rules

249 SAMBERG & HENNESY, *supra* note 237.

250 18 U.S.C. § 1030 (2012).

251 Musacchio v. United States, 136 S. Ct. 709, 713 (2016).

252 *See* Facebook, Inc. v. Power Ventures, Inc., 844 F.3d 1058, 1067 (9th Cir. 2016).

253 *See* Oracle USA, Inc. v. Rimini Street, Inc., 879 F.3d 948, 962 (9th Cir. 2018) (interpreting an analogous state law the Ninth Circuit held that "taking data using a method prohibited by the applicable terms of use, when the taking itself generally is permitted, does not violate the CDAFA"). For cases rejecting a broader interpretation of "exceeds authorized access" under the CFAA, see United States v. Valle, 807 F.3d 508, 528 (2d Cir. 2015); United States v. Nosal, 676 F.3d 854, 862-63 (9th Cir. 2012); WEC Carolina Energy Sols. LLC v. Miller, 687 F.3d 199, 207 (4th Cir. 2012).

254 *See* Brown Jordan Int'l, Inc. v. Carmicle, 846 F.3d 1167, 1174-75 (11th Cir. 2017); United States v. John, 597 F.3d 263, 272 (5th Cir. 2010); Int'l Airport Ctrs., L.L.C. v. Citrin, 440 F.3d 418, 420–21 (7th Cir. 2006); EF Cultural Travel BV v. Explorica, Inc., 274 F.3d 577, 583-84 (1st Cir. 2001). The Eleventh Circuit has acknowledged criticism of its decision in *Rodriguez* in a way that clearly invites Supreme Court review, but continues to adhere to it nevertheless. *See* EarthCam, Inc. v. OxBlue Corp., No. 15-11893, 2017 WL 3188453, at *9 n.2 (11th Cir. July 27, 2017).

may be different yet again. In the recent case of *hiQ Labs, Inc. v. LinkedIn Corp.*, the district court held that accessing a computer system that is available to the public at large does not trigger liability under the CFAA, even if permission to access has been specifically revoked.[255]

Works in digital form may also be protected by technological protection measures ("TPMs") that control access to copyrighted works. This is significant because, although fair use allows for the reproduction of copyrighted works for non-expressive uses such as TDM, some actions taken to make that reproduction possible may nonetheless violate the DMCA prohibitions on the circumvention of TPMs. Essentially, whether a work is protected by copyright or not, the DMCA makes it unlawful to break a digital lock that protects that work. More specifically, the DMCA makes it unlawful to circumvent a TPM that "effectively controls access" to a copyrighted work.[256] The law does not prohibit circumventing a TPM that controls specific uses of a work without denying access altogether. However, it is unlawful to distribute any tool or device that would be primarily used for either of these purposes — i.e., circumventing access or use TPMs.[257] The anti-circumvention provisions of the DMCA were not intended to limit or restrict fair use,[258] however courts have not treated fair use as a defense to the anti-circumvention provisions either.[259]

The DMCA contains exceptions for reverse engineering and encryption research but there are no similar provisions for text mining.[260] This may change. The Copyright Act authorizes an administrative procedure whereby the Librarian of Congress may determine additional exemptions to the DMCA anti-circumvention rules.[261] There are currently some limited exceptions to facilitate specific fair uses of motion pictures, the application of text to speech functionality with respect to e-books, as well as various provisions relating to specific uses of computer programs.[262] At

255 *See* hiQ Labs, Inc. v. LinkedIn Corp., 273 F. Supp. 3d 1099, 1113 (N.D. Cal. 2017).
256 17 U.S.C. § 1201(a)(1)(A) (2012).
257 *Id.* § 1201(a)(2), (b)(1).
258 *Id.* § 1201(c)(1) ("Nothing in this section shall affect rights, remedies, limitations, or defenses to copyright infringement, including fair use, under this title.").
259 *See* Universal City Studios v. Reimerdes, 273 F.3d 429 (2d Cir. 2001); MDY Indus., LLC v. Blizzard Entm't, Inc., 629 F.3d 928 (9th Cir. 2010). The Federal Circuit requires that the act of circumvention has some potential nexus to copyright infringement, but does not go so far as to make fair use a defense to the anti-circumvention rules. *See* Chamberlain Grp., Inc. v. Skylink Techs., Inc., 381 F.3d 1178, 1203 (Fed. Cir. 2004); Storage Tech. Corp. v. Custom Hardware Eng'g & Consulting, Inc., 421 F.3d 1307 (Fed. Cir. 2005).
260 17 U.S.C § 1201(f) (2012) (discussing reverse engineering); *id.* § 1201(g) (discussing encryption research).
261 *Id.* § 1201(a)(1)(C)–(D).
262 37 C.F.R. § 201(b) (2015).

present, none of the administrative exemptions are appropriate for TDM research, but this issue will be raised when these administrative exemptions are reconsidered in the next three-year cycle beginning in 2019.[263]

One final point to note with respect to accessing works in digital form is that more severe restrictions work to the advantage of large commercial organizations. If no one can train AI on copyrighted works without a license, then companies like Facebook, Microsoft, and Google will always dominate that sphere. These companies, and others like them, have been able to acquire born-digital works at scale as a byproduct of their other activities.[264] When Facebook's billions of users upload their photos, posts, and comments to Facebook and Instagram, they do not assign their copyrights. However, the relevant user agreements give Facebook all the rights it could possibly need to conduct TDM research.[265] The build-it-yourself model of access is common in the world of commercial AI and machine learning, but it has limited relevance to non-commercial academic researchers.

2. *Extraction (Copying)*

a) Initial copying

The second stage in any TDM process is essentially one of extraction or copying the targeted works in a suitable format and storing them in a database. This article has already explained in detail why copying for non-expressive uses in general, and TDM research in particular, are fair. However, as noted above, the law in other jurisdictions may not be so amenable. Consequently, researchers working with texts uniquely available in other countries may be in violation of local copyright laws for actions that would be regarded as fair use under American copyright law.

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263 Any TDM exemption that results from this process is likely to be quite narrow. Publishers and other aggregators would strongly oppose any exemption that undermined their control over their networks and systems — indeed, some attempts to crawl a publisher's website for text mining purposes might be initially indistinguishable from a denial of service attack — but the argument for a right to decrypt works for the purpose of text-mining and other non-expressive uses is sound.

264 Levendowski *supra* note 242, at 606 (citing Katherine J. Strandburg, *Monitoring, Datafication, and Consent: Legal Approaches to Privacy in the Big Data Context*, *in* PRIVACY, BIG DATA, AND THE PUBLIC GOOD: FRAMEWORKS FOR ENGAGEMENT 5 (Julia Lane et al. eds., 2014)).

265 Facebook Terms of Service, Section 3, provides that "you grant us a non-exclusive, transferable, sub-licensable, royalty-free, and worldwide license to host, use, distribute, modify, run, copy, publicly perform or display, translate, and create derivative works of your content (consistent with your privacy and application settings)." *See Terms of* Service, Facebook, https://www.facebook.com/terms.php (last visited Apr. 30, 2019).

Imagine for example, that there is an archive of unpublished works of the famous Danish physicist, Niels Bohr, in Copenhagen, Denmark.[266] Danish copyright law does not currently contain an express exemption that permits the digitization of such an archive without the permission of the author of every single notebook, letter, photograph, and cocktail napkin therein, even if those works were being copied solely for the purpose of TDM.[267] An American researcher who performed such digitization in Denmark would be liable for copyright infringement there. However, there does not seem to be any reason why the Danish archive could not send the original documents to the United States where they could be digitized consistent with American copyright law. At the very least, there would be no violation of American copyright law.

b) Retention of copied texts

The plaintiffs in the *Authors Guild* cases argued that even if library digitization to facilitate non-expressive use was not intrinsically harmful when viewed in isolation, it nonetheless posed an unacceptable security risk that might genuinely harm the market interests of the owners of the underlying copyrighted works.[268] For example, in the *HathiTrust* case, the plaintiff warned that the defendant libraries exposed the digitized works to "immense security risks" and that:

> [a] breach has the potential to cannibalize the book market through the same type of widespread Internet piracy that decimated the music industry. . . . Although a breach has yet to occur, *the Libraries are playing with fire*.[269]

The Second Circuit agreed that the "exposure-to-piracy argument" was "theoretically sound" but that there was no evidence to support it.[270] In *HathiTrust*, the court was presented with detailed evidence about the extensive security measures HathiTrust had taken to safeguard against the possibility of a data breach. The court concluded that there was "no basis . . . on which to conclude that a security breach is likely to occur, much less one that would result in the public release of the specific copyrighted works belonging to any of the plaintiffs in this case."[271] Likewise, in

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266 This example is entirely speculative. Niels Bohr received the Nobel Prize in Physics in 1922 for his contributions to understanding atomic structure and quantum theory. He died in 1962 at age 77.

267 This will change when Denmark implements the Digital Single Market directive of 2019 is finalized and comes into effect. *See supra* note 213.

268 Authors Guild, Inc. v. HathiTrust, 755 F.3d 87, 100 (2d Cir. 2014)

269 Brief for Plaintiffs-Appellants at 40, Authors Guild, Inc. v. HathiTrust, 755 F.3d 87 (2d Cir. 2014) (No. 12-4547) (emphasis added) [hereinafter Briefs for Plaintiffs-Appellants].

270 Authors Guild v. Google, Inc., 804 F.3d 202, 227 (2d Cir. 2015).

271 *Authors Guild, Inc. v. HathiTrust*, 755 F.3d at 100-01.

Google Books, the Court of Appeals found that Google had demonstrated that it had taken effective measures "to guard against piratical hacking" such that the burden shifted to the plaintiffs to rebut that evidence[272] — something that the plaintiffs were unable to do.[273]

The courts in the *Authors Guild* cases were appropriately skeptical that hypothetical security risks should negate a concrete case in favor of fair use. The *Authors Guild* cases establish that mere conjecture about the possibility of hacking and security breaches will not be enough to negate the fair use of copying and retaining copies for TDM research and other non-expressive uses. The exposure-to-piracy argument in those cases seemed hyperbolic in light of the elaborate security measures and obvious sophistication of the defendants. However, not every digitization project will have the same resources as Google or the universities behind the HathiTrust. For this reason, it is important to note that the exposure-to-piracy theory misconceives, and thus exaggerates, the nature of the threat of piracy. True enough, as e-book readers become more widely used, there is a risk that pirated eBooks could substitute for legitimate sales. However, this risk will usually be independent of any research focused digitization project. The reason is simple: the works that are most likely to lose revenue from such a breach are already available in digital form from legitimate and illegitimate websites.[274] The genie is already out of the bottle for the best sellers that are the main targets of piracy, and probably for most works that retain any current economic value.

The plaintiff's security related objections to the existence of digitized texts were easily answered in the *Authors Guild* cases, but what standard should be applied to future cases is less clear. Exactly what security measures are reasonable will depend on the circumstances. Specifically, the reasonableness of security measures should be assessed in light of the potential that a security breach could harm the interests of authors and/or copyright owners. Small digital archives consisting entirely of works that are not in print or that do not have a well-established commercial market should not require the same level of security as a massive repository like the HathiTrust or Google Books. Moreover, there is more to computer security than passwords and firewalls. As well as worrying about the specter of outside hackers, institutions building TDM infrastructure need to address the equally plausible concern that their own employees or users might exceed the scope of their authorized access.

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272 *Authors Guild v. Google, Inc.*, 804 F.3d at 228.

273 *Id.*

274 For a recent example, see Matthew Gault, *Michael Wolff's 'Fire and Fury' Is the Most Pirated Book in Recent Memory*, MOTHERBOARD (Jan. 8, 2018), https://motherboard.vice.com/en_us/article/zmqqe4/fire-and-fury-piracy-michael-wolff.

c) Creation and retention of multiple copies of digitized texts

The *Authors Guild* cases also demonstrate another variation of the exposure-to-piracy argument, namely that creating multiple copies of a work or retaining copies after some initial information processing is complete goes beyond the bounds of fair use. The crux of this argument is that *even if* copying for a non-expressive purpose was transformative use, making multiple copies and/or retaining those copies once the purpose had been achieved served no legitimate or defensible purpose.[275] The Guild made the same argument with respect to copying to provide access to the visually disabled,[276] a stance that seemed perfectly calculated to abandon the moral high ground and to alienate district court judge Harold Baer, who himself used assistive technology in the courtroom due to apparent difficulties in hearing.[277]

There is no requirement that the defendant claiming the protection of the fair use doctrine go about its work in the most expensive, least reliable, and least satisfactory way possible. And yet, that is to what essentially the plaintiff's multiple-copy argument boiled down to. Of course, any digitization project that creates copies for reasons unrelated to its transformative purpose (or other favored purpose) would not be able to argue that those copies are fair use. However, there is no basis for the single-transformative-copy argument either. Any large-scale digitization effort should be expected to generate multiple copies of the subject works for purposes such as mirroring and retaining secure backups. It would be irresponsible to not keep the original image files in addition to the text files generated by optical character recognition ("OCR"), for without these, it is impossible to verify the accuracy of the OCR process or to apply superior OCR as the technology improves.

The issue was not addressed by the Second Circuit in *Google Books*, but in *HathiTrust,* the Court of Appeals made it quite clear that retaining multiple copies of the subject works at different locations was "reasonably

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275 *See, e.g.*, Brief for Plaintiffs-Appellants, *supra* note 269, at 37. ("[O]nce a book's text is recorded in the index, the image and text files are no longer necessary for the operation of the search engine."); *id.* at 36 "[E]ven if it is necessary to digitize an entire work in order to index the contents for facilitating search, the third factor weighs heavily against the Libraries because they are unnecessarily retaining complete image and text files comprising every page of every book."; *see also id.* at 4, 30.

276 *See, e.g.*, *id.* at 38 ("[E]ven if this Court were to hold that HathiTrust in its current configuration satisfies these criteria, the Libraries still have not demonstrated their need to retain the digital image files in order to facilitate access to the print-disabled, as the assistive technology uses text files to convert the text from the book into speech.").

277 The judge's disability is not mentioned in any of the obituaries of his death in 2014.

necessary in order to facilitate the [HathiTrust Digital Library's] legitimate uses."[278] After addressing the need to make additional copies to facilitate the services HathiTrust provides to the public and to mitigate the risk of disaster or data loss, the court concluded that it had "no reason to think that these copies are excessive or unreasonable in relation to the purposes identified by the Libraries and permitted by the law of copyright."[279]

3. Mining (Analytical Processing)

The first two stages TDM research discussed above focus on the legal issues that arise in obtaining the raw materials for TDM. The third stage in any TDM process is the actual text mining itself. In a very narrow sense, text mining is an analytical process through which targeted works are abstracted into empirical observations — i.e., the process of turning text into data. For example, to produce a dataset of interruptions at Supreme Court oral argument, Tonja Jacobi and I implemented a piece of code along the following lines, which I have numbered for convenience:

1. generate temp = substr(fulltext, -2, 2)
2. generate dashend = temp == "--"
3. generate wasInterrupted=1 if dashend==1
4. generate didInterrupt= wasInterrupted[_n-1]==1

The actual code we used was more complicated, but these four lines convey the basic idea.[280] We began by creating a new variable called "temp" that consists of the last two characters of a speech event (this is contained in the variable "fulltext"). We then created a new dummy called "dashend" if the text contained in "temp" was two consecutive dashes (i.e., "--"). Based on listening to hundreds of Supreme Court oral arguments while reading the transcripts, we know that when a speech event ends with a double dash, the speaker was interrupted. The rest of the code creates a new variable equal to 1 if the speaker was interrupted and another new variable on the next line equal to 1 to show that the next speaker was the interrupter.

This very basic example of text mining illustrates several points. First, the mechanics of text mining can be very straightforward *if* the researcher has access to the underlying texts in a machine-readable form and *if* the researcher already knows for what she is looking. Second, although the data we generated about Supreme Court oral arguments tells us quite a lot *about* those arguments and has implications for how we think about the

278 Authors Guild, Inc. v. HathiTrust, 755 F.3d 87, 98 (2d Cir. 2014).
279 *Id.* at 99.
280 Tonja Jacobi & Matthew Sag, *The New Oral Argument: Justices as Advocates*, 94 NOTRE DAME L. REV. 1161 (2019). For additional examples of TDM research applied to Supreme Court oral argument, see SCOTUS OA, http://ScotusOA.com (last visited May 29, 2019).

Court as an institution, it does not convey the original expression of the Justices or the advocates. Third, although we had to copy the text of the arguments to capture it in a database, once it was in the database, the analytical processing illustrated above did not engage with the underlying original expression in any way that constituted a reproduction, performance, or display of that expression. Accordingly, if we think of text mining in the narrow sense of analytical process of abstracting text into data, it is a process with no copyright consequences.[281]

Of course, it is almost inconceivable that the results of analytical processing would be taken at face value without some process to validate the effectiveness of the underlying algorithms. In my own text mining work, I always check my algorithms against a small random subset of the underlying text. Search engines usually push this task to the user by presenting her with a menu of brief snippets, including the search term and some of the surrounding text. These kinds of adjunct expressive uses require a slightly different fair use analysis, and this is discussed in detail in the context of "Stage 4: Use," *infra*. However, even if we put those questions to one side, we still need to give some thought to the humans behind the analytical processing and their degree of access to the texts to be mined. This linkage between analytical processing and the humans who implement it is important because the fair use of the copying that led up to that analytical processing could be called into question if those people misuse their access to the underlying works. Accordingly, it is useful to consider varying archetypal TDM processes differentiated by the degree of access they offer researchers to the underlying texts. The three archetypes are *direct access*, *pre-processing*, and *moderated access*.

The *direct access* model of TDM research is simple: researchers are given direct access to the underlying texts and are trusted to take appropriate security precautions and not to abuse their access. For the purposes of this discussion, we can assume that issues relating to access and extraction have been addressed and the question is simply how much access individual researchers should be given to the new database. From the point of view of a researcher, direct and unrestricted access to the database is ideal. It gives the researcher unparalleled flexibility in her selection of tools and methods, it enables unstructured exploration of the underlying texts, and permits iterative analysis. Basically, researchers are happiest and do their best work when they can "play" with the data.

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281 With the possible and largely theoretical caveat that machine learning algorithms might embed enough of a training text to be considered to have reproduced that text within the algorithm. As discussed in Part II *supra*, this does not seem very likely, but it is less fantastical in the European Union where the threshold of similarity is lower.

The obvious drawback of the direct access model is that the researcher becomes a single point of failure for copyright and security risks. The copyright risk in this scenario is that the researcher goes beyond the scope of fair use and uses the underlying works in a manner that is expressive and not transformative. This risk can be mitigated with appropriate training and guidelines on the difference between expressive and non-expressive use, and on how to ensure that any expressive uses are reasonably required to verify and understand the results of the TDM process.[282] The security risk in this scenario is that a researcher will improperly reproduce the database of underlying works or allow an unauthorized third party to do so. As discussed above, assessing the magnitude of any security risk requires an evaluation of both the risk of unauthorized access and a realistic appraisal of the likely commercial consequences of any breach. Whether a direct access model is appropriate depends on the knowledge and sophistication of the researchers who will be given access and the nature of the target works. It may also depend on limitations imposed by third party institutions that grant access to the underlying works in the first place. The risks with works in the public domain and those already available on open access terms are obviously very slight. Allowing a graduate student to experiment with direct access to a small collection of out-of-print materials would be another low risk scenario, but it would seem reckless to give that same student unsupervised direct access to the entire HathiTrust corpus.

Moving to the other extreme, the second archetype limits researcher access to *pre-processed metadata*. This approach minimizes copyright and security risks, but it requires the host institution to anticipate all the questions a researcher is likely to ask in advance — which may well be impossible. Pre-processed metadata will usually include, at a minimum, essential bibliographic information and word frequencies, but it can go much further. Natural language processing makes it possible to identify words in their grammatical context and reduce words in context to representative synonyms.[283] This allows researchers to compute more than just the frequency of particular words; they can estimate the prominence of distinct concepts and themes in the underlying texts. The HathiTrust has recently made a rich set of extracted features available for over 15 million works in its collections.[284] Most notably, researchers can now obtain a list of words differentiated according to grammatical context for each individual page

282 *See infra* Stage 4: Use.

283 Grammar in the sense that linguists use the term, not in the sense of the prescriptions of *Strunk & White*.

284 Boris Capitanu et al., *Extracted Feature Dataset (1.0) [Dataset]*, HATHITRUST RESEARCH CENTER (2016), http://dx.doi.org/10.13012/J8X63JT3.

of the collection.[285] The potential value of pre-processed metadata should not be underestimated, but it has limitations. Many researchers will still need to be able to see words in the original order or context. Reducing copyrighted works to unstructured "bags of words" resolves any outstanding copyright issues, but also limits the utility of the underlying data set.[286]

The third model, *moderated access*, takes an intermediate position on the degree of research access to the underlying text, but it is not simply a compromise between the first two models. Enabling moderated access means building a data capsule where the researcher can analyze the text directly, but where access is limited by the hosting environment. The HathiTrust enables some researchers to have total access to the corpus using a model like this. To elaborate, think of the data capsule as a virtual room with two doors. The researcher enters through door number one bringing in whatever tools (i.e., code) she sees fit. Upon request, someone else brings in a selection of the HathiTrust corpus through door number two. When the researcher is finished with her project, she can go back through door number one, but only after having her bags searched and their content approved, i.e., she can export data only after it has been reviewed. This is just one approach to moderated access; a different model would be to place limits on the types of code a researcher can use, and/or supervise the researchers' activity more directly.

Moderated access does not entirely eliminate copyright or security risks; it might be more accurate to say that it distributes those risks between the architecture of the constructed environment and the individuals who participate in that environment. On the issue of snippets, for example, at the end of the day, someone needs to decide how much expressive access to the underlying text is appropriate. That decision may be left to the discretion of individual researchers, it may be encoded into the operating environment, or it may be left to a human agent who administers the operating environment. The moderated access model is technically complex and requires substantial resources to build and maintain. This cost and complexity is most likely to be justified in a project that aims to make a large corpus available to a heterogeneous group of researchers.

In application, most substantial TDM projects will blend some features of the access archetypes discussed above. The important point is that although the analytical processing that renders text into data is not a copyright relevant act — because it does not substantially reproduce the copy-

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285 Other features include the number of lines with text on each page and a count of characters that start and end lines on each page to help distinguish poetry from prose, or body text from an index, for example. *See* Alex Kinnaman & Eleanor Dickson, *Extracted Features Dataset*, HATHITRUST RESEARCH CENTER (Aug. 29, 2018) https://wiki.htrc.illinois.edu/display/COM/Extracted+Features‡ataset.

286 SAMBERG & HENNESY, *supra* note 237, at 7.

righted work in a copy, publicly perform, or display the work — the operating environment for conducting that analytical processing is highly relevant to the broader fair use status of the project.

4. Use (Derived Data, Adjunct Expressive Uses, and Ordinary Expressive Uses)

Text mining is not an end unto itself; it is a tool for knowledge discovery. Metadata derived from texts may be independently useful and meaningful in some contexts, but in others the full value of metadata will only be realized in conjunction with the underlying texts or parts thereof. Accordingly, it is important to consider how the results of TDM research will be presented and used.

a) Derived data

Obviously, metadata derived from analyzing copyrighted works would not exist *but for* the existence of those underlying works. Nevertheless, the mere fact of but for causation does not give the owners of the initial works any copyright interest in derived metadata for at least three reasons. Each of these reasons relates back to one essential conceptual distinction: information *about* the work is not the same as the information *of* the work.

First, the derived metadata does not infringe upon the rights of the copyright owner because the metadata itself comprises unprotectable facts and ideas. As discussed in Part I, the idea-expression distinction is one of the most fundamental principles in copyright law. Copyright in an expressive work does not give the author any rights in facts, ideas, or concepts and other non-expressive elements of the work. The distinction ensures that protection of the expressive elements of the author's work does not deny subsequent authors the ability to make their own contributions by adding to, reusing, or reinterpreting the facts and ideas embodied in the original work or those derived from the original work. Subsequent authors may not compete with the copyright owner by offering her original expression to the public as a substitute for the copyright owner's work, but they are free to compete with their own expression of the same facts, concepts, and ideas. They are also free to compete with their own new facts, concepts, and ideas derived from the author's original expression.

Metadata of the kind produced by TDM research does not infringe copyright because metadata comprises unprotectable facts and ideas. The Library of Congress online catalog contains a trove of useful metadata about the works in its collection. Books are identified by author, title, and publisher; described in terms of number of pages, spine thickness, and height; they are also categorized by subject. All these facts are useful in some contexts, but they are still just facts. For example, if we reduce the

structured text of a novel into an unstructured bag of words and their associated frequencies, this new data might (or might not) tell us something about the underlying work, but it remains simply a collection of unprotectable facts. Those facts are facts *about* the works, they are not the works themselves.

The second reason why metadata does not infringe the copyright in works from which it is derived is that the author of the underlying work is not the author of the metadata. As the Supreme Court explained in the 1991 case of *Feist Publications, Inc. v. Rural Telephone Service Co.*: "The sine qua non of copyright is originality."[287] The non-expressive metadata produced TDM research does not infringe the copyright in those works because *it does not originate* from those works. Imagine plagiarism detection software that reports that student term paper *B* is substantially similar to an earlier paper *A*. Paper *A* originated with student author *A*, but the observation as to its similarity with student *B*'s term paper does not originate with either *A* or *B*. It originates with the software algorithm programmed to detect plagiarism. Likewise, a word frequency table derived from *Moby Dick* did not originate with Herman Melville. Melville obviously realized that he would be writing the word "whale" over and over, but presumably he never set out to make an exact count. In both examples, to the extent the metadata *about* the work owes its origin to anyone, that person would be the person who derived the data, not the author of the underlying work.

The third reason why metadata does not infringe copyright in this context is that the metadata derived from a piece of original expression is in no sense substantially similar to the original expression itself. The frequency table or a word cloud derived from a novel are entirely independent of the expressive value of the novel. True enough, if *Moby Dick* had never been written, then no corresponding table of its word frequencies could exist, but the data has no similarity to Melville's book in terms of plot, structure, character (other than the names of characters), or theme. Likewise, although the original expression in a student term paper is fully deserving of copyright protection, none of that expression is embodied in the plagiarism report comparing work *A* to work *B*.

The same conclusion holds even if the metadata could theoretically be used to reconstruct the original works.[288] Neither disaggregated digitized text nor relational metadata regarding that text constitutes a copy of the original text for purposes of the copyright statute.[289] A novel can be broken down into a list of words and a set of instructions, for their combina-

[287] 499 U.S. 340, 345 (1991).
[288] Dan L. Burk, *The Mereology of Digital Copyright*, 18 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 711, 736-39 (2008).
[289] *Id.*

tion. By themselves, neither the word set, nor the instructions is capable of conveying the novel's original expression.

b) Adjunct uses of original expression (snippets, verification, and validation)

For many TDM projects, metadata alone will be insufficient: TDM metadata may simply be the first stage in a process of knowledge discovery that involves reading a curated selection of the underlying works. This phase of knowledge discovery is no less worthy or socially beneficial than the initial data mining, but it is unlikely to be supported by fair use. Absent some compelling reason, permission would be required for ordinary expressive uses of the underlying copyrighted text. However, there are a number of display uses of the text that are part of a broader TDM process that are anything but ordinary; they are obvious candidates for transformative fair use in the tradition of *Campbell*.

As the *Google Books* case illustrates, some limited expressive uses are also allowed under fair use if they are made for purposes, such as presenting search results in context or verifying the accuracy of results. Classic transformative uses of this kind will be fair use so long as the amount displayed is reasonable in light of the underlying purpose and is unlikely to disrupt any cognizable market for the original work. Echoing the reasoning in *Perfect 10 v. Amazon* regarding the use of thumbnail images in visual Internet searches,[290] the court in *Google Books* held that the use of three-line snippets of text to give context to search results was similarly transformative.[291]

> The use of book text to facilitate search through the display of snippets is transformative. The display of snippets of text for search is similar to the display of thumbnail images of photographs for search or small images of concert posters for reference to past events, as the snippets help users locate books and determine whether they may be of interest. Google Books thus uses words for a different purpose — it uses snippets of text to act as pointers directing users to a broad selection of books.[292]

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[290] *See* Perfect 10, Inc. v. Amazon.com, Inc., 508 F.3d 1146, 1168 (9th Cir. 2007) (holding that use of works — "thumbnail images," including copyrighted photographs — to facilitate search was "transformative"); Kelly v. Arriba Soft Corp., 336 F.3d 811 (9th Cir. 2003) (same).

[291] Authors Guild, Inc. v. Google Inc., 954 F. Supp. 2d 282, 291 (S.D.N.Y. 2013); Authors Guild, Inc. v. Google, Inc., 804 F.3d 202, 217-18 (2d Cir. 2015) ("Snippet view adds important value to the basic transformative search function, which tells only whether and how often the searched term appears in the book. Merely knowing that a term of interest appears in a book does not necessarily tell the searcher whether she needs to obtain the book, because it does not reveal whether the term is discussed in a manner or context falling within the scope of the searcher's interest.").

[292] *Authors Guild, Inc. v. Google, Inc.*, 954 F. Supp. 2d at 291.

Of course, what is reasonable and what is likely to disrupt will depend on the circumstances of individual cases, but *Google Books* provides some guidance. In that case, the Court of Appeals held the display of "tiny snippets" of text from the underlying copyrighted works "designed to show the searcher just enough context surrounding the searched term to help her evaluate whether the book falls within the scope of her interest" was a transformative use unlikely to harm the copyright owner.[293] The key to this conclusion was the fact that text snippets were not an effective substitute for the underlying works.[294] Beyond the fact that the snippets themselves were a mere three lines of text, Google had taken a number of steps to ensure that the underlying works could not be reconstructed from repeated search queries. Most notably, Google made at least one snippet per page and one page in ten undisplayable, and it limited the number of snippets on a page that could respond to any given search.[295] Moreover, works for which three line snippets might have been significant, such as dictionaries, cookbooks, and books of haiku, were excluded from snippet view.[296]

The plaintiffs' attempt to show that any sensible portion of the underlying works could be reconstructed from snippet displays failed entirely in the *Google Books* case. The district court found the reconstruction theory implausible and outweighed by the much more plausible advantages to authors and copyright owners whose works would benefit from enhanced discoverability. As Judge Chin summarized:

> Nor is it likely that someone would take the time and energy to input countless searches to try and get enough snippets to comprise an entire book. Not only is that not possible as certain pages and snippets are blacklisted, the individual would have to have a copy of the book in his possession already to be able to piece the different snippets together in coherent fashion.[297]

As the Court of Appeals concluded:

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293 *Authors Guild v. Google, Inc.*, 804 F.3d at 218, 222-23.

294 *Id.* at 224-25 ("Even if the snippet reveals some authorial expression, because of the brevity of a single snippet and the cumbersome, disjointed, and incomplete nature of the aggregation of snippets made available through snippet view, we think it would be a rare case in which the searcher's interest in the protected aspect of the author's work would be satisfied by what is available from snippet view, and rarer still — because of the cumbersome, disjointed, and incomplete nature of the aggregation of snippets made available through snippet view — that snippet view could provide a significant substitute for the purchase of the author's book.").

295 The Google Book search engine often displays much more extensive previews by agreement with the relevant copyright owner. The practice approved by the court was a more limited default setting of three-line snippets.

296 *Authors Guild, Inc. v. Google Inc.*, 954 F. Supp. 2d at 287.

297 *Id.*

> The fragmentary and scattered nature of the snippets revealed, even after a determined, assiduous, time-consuming search, results in a revelation that is not "substantial[.]"[298]

Reasonable people may well disagree as to how brief a snippet should be in order to serve identification and confirmation functions without posing a risk of expressive substitution. The three-line snippets in *Google Books* are neither a ceiling nor a floor in this regard. As long as researchers use snippets as a genuine part of the TDM knowledge discovery process, i.e., to provide information *about* the work or *about* a search and not to communicate a substantial portion *of* the original expression within the work — that use should be fair use.

Another issue that often arises in the context of digital humanities and machine learning is the appropriateness of displaying an original text with additional layers of metadata that represent important decisions about classification. If this display is simply an intermediate step in an iterative process of text mining and evaluation and is not subject to broader distribution, it would almost certainly qualify as fair use applying a traditional transformative use analysis. However, if the coded text is more widely available, a fair use analysis is likely to hinge on the amount of the work displayed and the degree to which such display was necessary for the transformative purpose. Context will be the key to assessing such a use. If researchers are confident that their purpose is transformative, that the amount of the work displayed is reasonable and consistent with that transformative purpose, and that their use is unlikely to interfere with the market for the author's original expression, they should feel secure in their claim of fair use, if sued.

CONCLUSION

The urge to understand individual texts and relationships between texts is surely as old as writing itself. However, not all technologies of understanding are the same. In the printing-press era, there was a clear distinction between reproducing the text and merely deriving information from the text. Modern computing technology and advances in linguistics, computer science, and artificial intelligence have blurred that distinction. The essential question for copyright law in the digital age is whether, and to what extent, copyright law is in conflict with copy-reliant technologies such as TDM when they are used to generate new insights and understandings about copyright texts.

As this article has explained, there really is no reason for conflict. When we imagine the creator of the prototypical copyrighted work, the book, we envisage an author driven to transform her inchoate thoughts

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[298] *Authors Guild v. Google, Inc.*, 804 F.3d at 223.

and abstractions into concrete expression. Our idealized author writes so that she may see her ideas, musings, and characters come to life, and so that she may communicate them to others. For the last 300 years, copyright law has given authors some measure of control over that communication. That control has never been unlimited. The exclusive rights of the author revolve around the communication of original expression to the public: copyright law does not concern itself with private performances or displays; neither is it troubled by the public communication of facts and ideas embedded within a copyrighted work.

Copyright law in the United States is more dynamic than in many other jurisdictions because we have retained the essential common law structure of the fair use doctrine. Courts in the United States have proved quite adept in resolving latent ambiguities in copyright law as they have been exposed by changes in technology. When the legality of TDM was challenged in the *Authors Guild* cases, the courts readily understood that although text mining and similar processes necessitate an extraordinary volume of copying, they do not interfere with the author's right to control the communication of her original expression to the public.

However, the welcome recognition that text mining and other non-expressive uses are fair use under United States copyright law only answers one of many questions for the text mining community. In addition to expanding on the fundamental fair use question at the heart of the *Authors Guild* litigation, this article has provided a framework for understanding the broader range of legal questions that must be addressed in designing any TDM research project going forward.

APPENDIX A

Transcript of argument in *Authors Guild v. Google*, (Sept. 23, 2013) 1-05-cv-08136-DC, Docket Entry 1086, filed Oct. 3, 2013, pages 4-5.

> THE COURT: . . . There is a very helpful amicus brief, two very helpful amicus briefs, the librarians and the professors. The Google Books search mechanism enables us to have things like data mining. . . . There is anecdotal evidence of people finding useful books in their own collections that they had forgotten about through Google Books search. The librarian brief points out that this facilitates interlibrary loans and helps to narrow searches, to expedite searches. Aren't these transformative uses and don't they benefit society?
>
> MR. ROSENTHAL: I think you have to look at each of the things that Google did separately.
>
> THE COURT: The things that I just asked about, I just listed a bunch of things, do you agree that they benefit society?
>
> MR. ROSENTHAL: I think that including to make works searchable and findable may benefit society in some instances. Then the question is should Google have to pay for that right.
>
> THE COURT: Do you agree that these uses are transformative in the sense that they don't supplant the original purpose but they add something new and different and useful?
>
> MR. ROSENTHAL: The way you phrased the question, I think that they do do something new and that they added authority to find things. I don't know whether that satisfies the Supreme Court's decision that it has to be not just for a different purpose but add new meaning. I don't know whether simply taking the words in a book and making them findable adds new meaning or content to them.
>
> THE COURT: The professors' brief talks about this concept of data mining or text mining and the ability to find out. The example they use is whether the United States is referred to in the plural versus in the singular. They have done a statistical analysis, and over the years we can see a trend going one way versus the other that tells us something. Is that not a useful thing? Is that not different?

PART II

ADMINISTRATIVE DEVELOPMENTS

ADMINISTRATIVE DEVELOPMENTS

LIBRARY OF CONGRESS

U.S. Copyright Office Revises Proposed Rulemaking on Recordation and Group Registration Fees. As part of its ongoing fee study, the Office is releasing a revised fee schedule regarding additional proposed changes for document recordation and two newly proposed group registration options. As explained in the notice, the Office proposes to adjust the fees for document recordation from a formula based solely on the number of recorded titles to a formula based on the number of works and alternate titles and registration numbers to which a document pertains to better distribute costs among remitters based on the size of their filing. The supplemental notice also announces the Office's intention to issue fees for its newly proposed group registration options for short online literary works and for works contained on an album of music.

This supplemental notice follows a round of public comment in response to an overall fee schedule proposed in May 2018. While the Office is not currently seeking additional comment on those fees announced in May 2018, the Office's careful consideration of those comments will be reflected in its forthcoming study submitted to Congress pursuant to 17 U.S.C. § 701(b), as well as any eventual adjustment instituted to the fee schedule.

The Office welcomes public comment on these additional proposed changes regarding document recordation and the new group options before the Office's full fee schedule is submitted to Congress. Written comments had to be received no later than July 22, 2019.

LIBRARY OF CONGRESS

U.S. Copyright Office Issues Notice of Inquiry Regarding Music Modernization Act Blanket License Implementation Regulations. Pursuant to the Musical Works Modernization Act, title I of the Orrin G. Hatch–Bob Goodlatte Music Modernization Act (MMA), the U.S. Copyright Office has issued a notice of inquiry seeking public comment regarding implementation regulations for the new blanket section 115 "mechanical" license for making and distributing digital phonorecords of musical works, which will become available in 2021. The MMA specifically directs the Copyright Office to adopt a number of regulations to govern the new blanket licensing regime, including regulations regarding notices of license, notices of nonblanket activity, usage reports and adjustments, information to be included in the mechanical licensing collective's database, database us-

ability, interoperability, and usage restrictions, and the handling of confidential information. The statute also vests the Office with general authority to adopt such regulations as may be necessary or appropriate to effectuate this new blanket licensing structure. Initial written comments must be received no later than November 8, 2019, at 11:59 p.m. eastern time. Written reply comments must be received no later than December 9, 2019, at 11:59 p.m. eastern time.

COPYRIGHT ROYALTY BOARD

37 CFR Parts 303, 350, 355, 370, 380, 382, 383, 384, and 385. 84 Fed. Reg. 32,296-317 (July 8, 2019). On March 13, 2019, the Copyright Royalty Judges (Judges) published proposed regulations governing proceedings to determine the reasonableness of, and allocate responsibility to fund, the operating budget of the Mechanical Licensing Collective authorized by the Music Modernization Act (MMA). The Judges also proposed amendments to extant rules as required by the MMA. 84 FR 9053. The Judges received comments from the Digital Music Association (DiMA),

PART III

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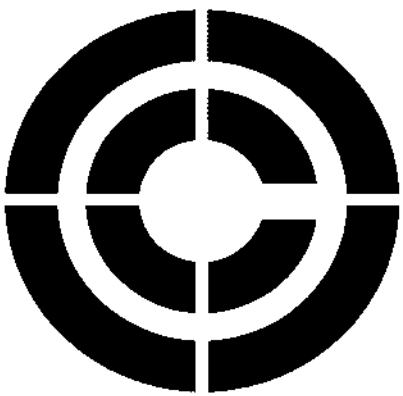

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FROM THE DESK OF THE EDITOR-IN-CHIEF

Part I of volume 66, number 3, begins with *A Third Bite at the Apple?: Statutory Termination Rights and Royalty Grants* by Dean H. Adams. This article maintains that: "grants of royalty rights are not terminable . . . authors cannot use the termination right to terminate grants of the "writer's share" of songwriter income." To address this situation, the author proposes amending the Copyright Act "to clarify the relationship between termination and royalty grants." Until such a legislative clarification is made, Mr. Adams provides some suggestions for practitioners who want to reduce the likelihood that a revenue stream grant could be viewed as terminable, observing that practitioners should "consider carefully the implications of authors' statutory termination rights — lest someone have a third bite at the apple."

Part I continues with *Once Upon a Time in Hollywood: An Examination of "Substantial Similarity" in California Idea Submission Cases* by David Aronoff, a media litigation partner at Fox Rothschild LLP in Los Angeles. Mr. Aronoff begins by noting: "[T]he law has developed alternative theories of implied contract and confidentiality protection for ideas that are submitted for sale to and knowingly accepted by entertainment companies." Such theories require "actual use" of the idea-submitter's idea, but courts have been inconsistent as to what standard to apply. After reviewing the case law, as well as the role of intent and the so-called "inverse ratio rule," he concludes that: "[A] high standard for substantial similarity is mandated . . . because a contrary rule . . . would have an unwarranted chilling effect on free expression and the open exchange of ideas." It is worth noting that the Journal previously published an article by Mr. Aronoff criticizing the "inverse ratio rule" in the copyright infringement context. That article was recently cited multiple times by the majority opinion of the 9th Circuit *en banc* in *Skidmore v. Led Zeppelin*, the important copyright infringement case involving Led Zeppelin's "Stairway to Heaven."

The third article in Part I, *Contracts Mattered as Much as Copyrights* by Professor Robert W. Gomulkiewicz of the University of Washington School of Law, deals with "the historical relationship between contracts and copyrights during the seventeenth, eighteenth, and mid-nineteenth centuries in Britain." In his article, the author deals with a wide range of subjects including the evolution of copyright law, historical evidence of contracts between authors and publishers, and the role of contracts in Britain's "marketplace of ideas." Professor Gomulkiewicz also discusses the

influence of public contracts on the publication of books of little or no value, the utilization of contracts to provide low-cost copies for charities, and the "modern applications and policy implications of lessons from the pre-modern era of copyright and contract, concluding that contracting remains as important as copyrighting in the modern information economy." He concludes: "Contracts give copyrights vitality. By enabling the sharing of ideas and information, contracts foster both technological and business model innovation," adding that: "This insight is valuable for today's judges and lawmakers."

Part I's final article is *The New Development of the Preliminary Injunction in China* by Ling Yu, an associate professor at the Law School at Hunan University School, which evaluates the provisional injunction in China's intellectual property system. In his article, the author considers the scope and application of the personal injunction, factors involving the necessity of its use, and procedural rules. He concludes that the new rules provide "more detailed guidance and more legal certainty," but that specific rules for anti-monopoly cases have not been established.

Part II of this issue consists of a book review by Neil Turkewitz of the Turkewitz Consulting Group of Washington, DC. In his review, Mr. Turkewitz discusses *Copyright in the Information Society* edited by Brigitte Lindner and Ted Shapiro, which consists of essays written by leading copyright law experts. Their topic is the 2001 European Directive on copyright in the information society. According to Mr. Turkewitz, the book "allows a U.S. lawyer to place this cornerstone Directive in the building of European copyright law into a wider context — from the origins in the WIPO Treaties to the implementation and application in the twenty-eight Member States." He adds that this title book "should be attractive to all lawyers everywhere in the world who face copyright issues across the EU."

Part III of this issue is a bittersweet "In Brief." It is with great sadness that we note that our friend and a long-time, very active member of our Editorial Board and the Society, Professor Howard B. Abrams, passed away in January. The Journal, from its inception, published a mix of short, practical or informative pieces and longer, more scholarly, articles. Prof. Abrams has published substantial scholarship with the *Journal* in the past, but last year, he submitted a very short, not at all theoretical, but very useful paper entitled, *The ? Problem and the 2117 Solution.* As indicated in the title, the paper explains how to use Unicode and a simple set of key strokes to insert useful symbols, such as the ? symbol, into a Word document. Even great thinkers sometimes wrestle with, and solve, basic tasks, and Prof. Abrams' paper does just that. In Volume 67 of the Journal, there will be further acknowledgements of Prof. Abrams' contributions to the copyright world, and, in the meantime, we are pleased to include his brief and useful paper in this issue.

The issue concludes with Part IV, Administrative Developments. Note that the bibliography section has been discontinued.

As always, your comments and suggestions are welcome.

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PART I

ARTICLES

A THIRD BITE AT THE APPLE?: STATUTORY TERMINATION RIGHTS AND ROYALTY GRANTS

by DEAN H. ADAMS*

ABSTRACT

As clients, lawyers, and judges have grappled with the complexity of the Copyright Act's termination right for over forty years, uncertainty still remains as to the relationship between the termination right and the right to receive revenue from the exploitation of a copyright (a "royalty" right). At the same time, a boom in intellectual property rights acquisitions and investments has made royalty grants and securitizations a valuable (and at times lucrative) business model. As these two worlds collide, an important question arises: Can the termination right found in §§ 203 and 304 work to effect termination of a royalty grant? This article addresses the general question by analyzing a scenario in which an author of a musical composition attempts to terminate the grant of the writer's share of songwriter income. This article argues primarily that grants of royalty rights are not terminable and thus, as applied to the music publishing industry, authors cannot use the termination right to terminate grants of the "writer's share" of songwriter income. In support of these conclusions, this article proposes an amendment to the Copyright Act to clarify the relationship between termination and royalty grants. This article concludes with a discussion of practical considerations for parties involved in royalty grants as they relate to the termination right.

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*© 2020 by Dean H. Adams. Belmont University College of Law, *Juris Doctor* expected, May 2020; Editor-in-Chief, *Belmont Law Review*. Special thanks to my wife, Olivia, for her love and support. Thanks to Professors Jay Dougherty and Jeffrey Omar Usman for their helpful direction throughout the process and to Richard D. Rose for his practical guidance on this complex issue.

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INTRODUCTION[1]

Under the termination provisions of the Copyright Act of 1976 (the "1976 Act"), codified in §§ 203 and 304, authors are entitled to a "second bite at the apple."[2] Although the first "bite" to secure a favorable deal related to an author's copyright might not be so sweet due to authors' unequal bargaining power,[3] Congress hoped that the second bite would be sweeter by allowing authors[4] or their statutory heirs to terminate, under certain conditions, "the exclusive or nonexclusive grant of a transfer or

[1] This article is intended and published as an academic work, and as such, readers are advised that any legal views presented, particularly those with regard to the protection of clients' interests in Part V, are not intended as legal advice. Readers with legal questions, especially those related to statutory termination rights and royalty grants, should consult an experienced attorney.

[2] *Hearing Before the Subcomm. on Courts, Intellectual Property, and the Internet of the Comm. on the Judiciary, United States House of Representatives*, 2d Sess., 113th Cong. 36 (2014) (statement of Mr. Casey Rae, Vice President for Policy and Education, Future of Music Coalition) ("Termination rights allow us to have another bite at the apple even if we end up regranting our rights to a label, publisher, or another entity. Artists may have more leverage than they did at the time when they first signed, and using that leverage, we can negotiate more favorable deals or recapture ownership for the purposes of licensing directly.").

[3] H.R. REP. NO. 94-1476, at 124 (1976).

[4] Several terms are used throughout this article to refer to individuals, and they may refer to one and the same person. The 1976 Act uses the term "author" to denote one whose original work has been "fixed in a tangible medium of expression[.]" 17 U.S.C. § 102 (2018). Thus, "author" is best understood in its broadest sense as the creator of a copyrightable work, whether a song, a book, a painting, etc. A "songwriter" is an author of a musical composition — composing the words, the music, or both. *See* DONALD S. PASSMAN, ALL YOU NEED TO KNOW ABOUT THE MUSIC BUSINESS 318-20 (9th ed. 2015). For purposes of this article, "writer" is synonymous with songwriter. An "artist," on the other hand, performs

license of copyright or of any right under a copyright . . . ."[5] Yet suppose an author has also entered an agreement concerning his or her valuable royalty rights arising from copyright. Is this royalty grant terminable? In other words, can a copyright author who grants the right to collect on future royalties use the termination right to terminate the royalty grant and regain the right to collect royalties? Will the author get a *third bite* at the apple?

Given the rise of intellectual property investment in the United States, the opportunity for an author to sell or securitize his or her future royalty right in exchange for a significant up-front payment has proven to be particularly attractive.[6] Whereas authors cannot realize the ultimate value of the termination right prior to the statutory effective date (particularly since it is "inalienable"),[7] a royalty grant[8] or securitization provides an author the immediate economic enjoyment of a copyright. Nonetheless, certain entertainment industry deals over the past decade have involved authors attempting to use the termination right to terminate not only copyright grants but also *royalty* grants.[9] The question thus arises as to whether a royalty grant is terminable.

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musical compositions and is generally associated with sound recordings and record labels. *See id.* at 363-64.

[5] 17 U.S.C. § 203(a) (2018).

[6] *See* ROYALTY EXCHANGE, THE ULTIMATE GUIDE TO BUYING MUSIC ROYALTIES 9 (2019), https://s3-us-west-2.amazonaws.com/royalty-exchange/ultimate-guide-v6.pdf [https://perma.cc/2AZN-52GL].

[7] *See* 17 U.S.C. § 203(a)(5) (2018) ("Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant."); *see generally* Peter S. Menell & David Nimmer, *Pooh-Poohing Copyright Law's "Inalienable" Termination Rights*, 57 J. COPYRIGHT SOC'Y 799 (2010).

[8] Unfortunately, the words "grant" and "transfer" are used almost interchangeably throughout the literature on the topic of termination. As such, it is difficult to assign a level of legal materiality to the use of one over the other that would be consistently accepted and applied by the academic community. For purposes of this article, though, the term "grant" has been favored as inclusive of both transfers *and* licenses of certain rights. Additionally, the operative language of the termination provisions speaks of terminating *grants*, which could include either transfers *or* licenses. Thus, speaking of terminating "transfers" alone is potentially underinclusive and has been avoided except where legally significant. The reader should thus note that the use in this article of the term "grant" does not per se indicate a terminable "transfer or license of copyright." Rather, this article posits that it is the nature of the rights subject to the grant that is dispositive. For example, it is argued that a grant of copyright is terminable, whereas the grant of a writer's share interest is not. Nonetheless, practitioners are wise to consider the industry-specific nuances of the language used in contractual provisions and should utilize these practical intricacies in their clients' best interests.

[9] While royalty grant termination attempts have yet to play out before the public eye or in the available case law, instances of such termination attempts are

In addressing the question of whether royalty grants are terminable, any number of scenarios could be used as examples to illustrate the broader issue. For example, a book author might sell his or her future royalty right, a popular recording artist (who owns the masters) might consider issuing a modern-day version of the Bowie Bond,[10] or a large corporation might even securitize its accounts receivable from a number of revenue streams sourced from film copyrights.[11] Each example is a segment of the broader issue of royalty sales and securitizations to which the question of terminating royalty grants is especially related. However, given the massive scope of this problem and the innumerable ways to approach it, this article seeks to limit its focus to a royalty right found primarily in the music publishing industry — the so-called "writer's share."[12]

In a traditional music publishing agreement, the songwriter enters a contractual agreement with a publisher to grant the songwriter's copyrights to the publisher in exchange for the publisher's agreement to exploit the songs commercially and pay the songwriter a percent (e.g., 50%) of the

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beginning to take shape in industry practice, often in attempts to leverage a renegotiation of the terms of the underlying agreement. However, the substance of correspondence evidencing such attempts (and of parties justifying their legal positions) is currently subject to nondisclosure and attempts to obtain permission to disclose were unsuccessful prior to publication of this article.

[10] *See* Lisa M. Fairfax, *When You Wish Upon a Star: Explaining the Cautious Growth of Royalty-Backed Securitization*, 1999 COLUM. L. REV. 441, 442 (1999) (briefly describing rock star David Bowie's pioneering securitization of his music royalties); Dov Solomon & Miriam Bitton, *Intellectual Property Securitization*, 33 CARDOZO ARTS & ENT. L.J. 125, 146-47 (2015) (same).

[11] Securitization offers unique financial benefits for intellectual property owners, allowing such owners to obtain capital by pooling various future revenue rights and selling the rights to receive those revenues in the form of securities to other parties. *See* Fairfax, *supra* note 10, at 445; Solomon & Bitton, *supra* note 10, at 148. Although the allocation of debt and equity inherent in the structure of a securitization differs from that of an unsecured asset sale, the granting of rights inherent in any securitization makes the securitization model particularly relevant to the question of whether royalty grants are terminable. That is, any conclusion with regard to the relationship between royalty grants and authors' termination right would most likely be applicable to the relationship between royalty securitizations and termination rights. Additionally, the market for intellectual property securitization is predicted to expand as this model proves to be more viable in the new era of Internet-based intellectual property exchanges. *See* WIPO, *The Securitization of Intellectual Property Assets – A New Trend*, WIPO.INT (last visited Feb. 2, 2020), https://www.wipo.int/sme/en/ip_business/finance/securitization.htm [https://perma.cc/28FZ-QNZ6]. However, a full discussion of intellectual property securitizations in relation to the right to terminate grants of transfers or licenses of copyright is outside the scope of this article.

[12] ROYALTY EXCHANGE, *supra* note 7, at 9; JEFFREY BRABEC & TODD BRABEC, MUSIC, MONEY, AND SUCCESS: THE INSIDER'S GUIDE TO MAKING MONEY IN THE MUSIC BUSINESS 2 (7th ed. 2011).

revenue.[13] As such, the songwriter's share of the royalties is determined by agreement and is thus called the "writer's share."[14] The writer's share is an economic right and, to the extent that it is not contractually restricted, an alienable right the owner of which can freely grant to another party.[15] In fact, many successful writers sell their writer's share rights to third parties in exchange for up-front, lump-sum payments.[16] Although the writer's share right often arises around the same time as the grant of copyright, the writer's share comes not from the substantive law of copyright but from the contractual provisions of the publishing agreement. To be sure, the 1976 Act does not include a definition for "royalty," and the termination provisions contain no express carve-out for royalty grants.[17]

Unfortunately, the lack of definition in the law has created a significant issue in terms of the relationship between royalty rights and termination. For example, to an author who has granted his or her royalty right to a third party, the power to terminate otherwise enforceable grants of transfers or licenses of copyright or *any right under a copyright* might appear to be an effective mechanism by which to regain the royalty right, especially given the apparent relationship between the two rights (i.e., but for the underlying copyright, the royalty right would not exist). However, if authors are able to terminate royalty grants at some date in the future, then parties seeking to purchase such rights would most likely need to minimize their liability by limiting what they offer to holders of such royalty rights (e.g., limiting the amount offered to certain sums based on a

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[13] Don E. Tomlinson, *Everything That Glitters Is Not Gold: Songwriter-Publisher Agreements and Disagreements*, 18 HASTINGS COMM. & ENT. L.J. 85, 87 (1995). This article uses the traditional model in order to address the termination issue, but many different models are used today, including co-publishing and administration agreements, which allocate the ownership of copyright and control of the licensing and exploitation of the copyrights in different ways. *See* PASSMAN, *supra* note 4, at 300.

[14] PASSMAN, *supra* note 4, at 300; BOB KOHN, KOHN ON MUSIC LICENSING 86 (5th ed. 2018).

[15] *See* ROYALTY EXCHANGE, *supra* note 6, at 44-46.

[16] *Id.* at 6. It should be noted that PROs often have specific rules regarding payment of the writer's share and provide additional rules as to when and upon what basis an author can assign his or her writer's share. *See, e.g.*, Broad. Music, Inc. v. Roger Miller Music, Inc., 396 F.3d 762, 765 (6th Cir. 2005) ("When a publisher affiliates with one of these organizations, it agrees to adhere to the articles and bylaws of the organization, which generally provide that public performance royalties will be divided between the publisher and the writer irrespective of other financial arrangements made between the those two parties."); ASCAP, COMPENDIUM OF ASCAP RULES AND REGULATIONS, AND POLICIES SUPPLEMENTAL TO THE ARTICLES OF ASSOCIATION 25 (2014), *available at* https://www.ascap.com/~/media/files/pdf/members/governing-documents/compendium-of-ascap-rules-regulations.pdf [https://perma.cc/K2M8-JW55].

[17] *See, e.g.*, 17 U.S.C. §§ 101, 203(a), 304(c), (d) (2018).

future valuation limited to a term of years), which could in turn have a negative impact on the liquidity of authors' economic rights — arguably the exact opposite of what Congress intended by the termination provisions.[18]

Furthermore, the particular right being granted in the case of the writer's share — a royalty right arising from a music publishing contract — is created and governed by state contract law and not the federal Copyright Act.[19] As such, to the extent that federal copyright law would not govern the royalty right provisions under such agreements, it would follow that the termination provisions would be inapplicable to writer's share grants. Additionally, policy considerations should favor the alienability of authors' royalty rights while also considering the realities of the market in which such rights are traded and securitized. Extending the effect of termination into the realm of royalty grants and securitizations could limit the long-term viability of such investments. Therefore, the appropriate interpretation of the termination provisions from a legal and policy-based standpoint is that writer's share grants, and royalty grants in general, are not subject to termination under either § 203 or § 304 of the 1976 Act.

In support of this conclusion, this article begins in Part I with a general discussion of the history and legislative intent behind the termination provisions in order to provide context for the termination right's current legal and practical complexities. Part II provides an overview of the music publishing industry in order to lay a groundwork for the relationships, rights, and agreements central to the writer's share royalty right. Part III then confronts the key issues related to terminating royalty grants through the use of various termination hypotheticals in which a party seeks to use termination as a vehicle to regain the writer's share royalty right. Part IV addresses the legal and policy-based reasons why writer's share royalty grants are not terminable under § 203 or § 304. It then explains how, in the absence of legislative or judicial guidance on the matter, a statutory amendment will help to clarify the relationship between termination rights and royalty grants. Finally, Part V provides guidance to practitioners seeking to protect their clients' interests in the absence of official commentary on the matter.

I. THE TERMINATION RIGHT

A. History and Legislative Intent

Under Article I of the United States Constitution, Congress has the power "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their

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18 *See* H.R. REP. NO. 94-1476, at 124 (1976); *see also infra* Section I.A.

19 *See infra* Section IV.A.

respective Writings and Discoveries[.]"[20] Pursuant to this authority, Congress enacted the first Copyright Act in 1790,[21] based largely on the text of the Statute of Anne.[22] Between 1790 and 1909, federal copyright law was revised and amended no fewer than twenty times, revealing in part Congress's attempts to modernize copyright law in light of technological advances.[23]

A key feature of these nineteenth-century revisions was the gradual increase in the temporal length of copyright protection.[24] The 1790 Act adopted the British two-term system, giving authors protection for a fourteen-year term, renewable for an additional fourteen years.[25] The Copyright Revision Act of 1831 extended the initial term to twenty-eight years, renewable for fourteen years.[26] The Copyright Act of 1909 extended the renewal term, giving protection for an initial twenty-eight years, renewable for an additional twenty-eight years.[27] The intent of Congress in providing for a renewal term was to give authors with lower bargaining power an opportunity to renegotiate unfavorable contracts after the original period, giving authors a "second bite at the apple."[28] However, the 1943 Supreme Court case of *Fred Fisher Music Co. v. M. Witmark & Sons* arguably defeated Congress's hopes for an author-benefitting renewal term system,[29] holding that the author's interest in the renewal term could be validly assigned.[30] Using their additional bargaining power, publishers began to use this decision to their benefit, often requiring authors to assign their renewal rights at the beginning of the contractual relationship.[31]

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[20] U.S. CONST. art. I, § 8, cl. 8.

[21] Marvin Ammori, *The Uneasy Case for Copyright Extension*, 16 HARV. J.L. & TECH. 287, 312 (2002). The first national copyright act was succinctly 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." *Id.*

[22] MARC H. GREENBERG, COPYRIGHT TERMINATION AND RECAPTURE LAWS: GOOD INTENTIONS GONE AWRY 2 (2016); *see* Statute of Anne 1710, 8 Ann. c. 19 (Eng.).

[23] GREENBERG, *supra* note 22, at 8.

[24] *Id.* at 7-12.

[25] *Id.* at 7-8; *see* ACTS OF 2D SESS. OF CONG., c. XV (1790); 8 Ann., c. 21, at 256-57.

[26] GREENBERG, *supra* note 22, at 8.

[27] *Id.* at 9.

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

[29] Peter S. Menell & David Nimmer, *Judicial Resistance to Copyright Law's Inalienable Right to Terminate Transfers*, 33 COLUM. J.L. & ARTS 227, 228 (2010).

[30] 318 U.S. 643, 658-59 (1943); *see* GREENBERG, *supra* note 22, at 13-21.

[31] Anthony Cheng, *Lex Luthor Wins: How the Termination Right Threatens to Tear the Man of Steel in Two*, 34 COLUM. J.L. & ARTS 261, 264 (2011).

Partly in response to *Fisher* and the overly-complex formalities required by the renewal term system,[32] Congress began the process of developing major revisions to copyright law, beginning in 1955 with an appropriation of funds for several in-depth studies that culminated in a 1961 report by the Register of Copyrights.[33] A series of congressional hearings soon followed in the mid-1960s on Senate Bill No. 597 and House of Representatives Bill No. 2512, draft bills that addressed several issues left unanswered by the 1909 Act.[34] Early commentary specifically addressing the termination provisions contained in §§ 203 and 304 was sparse, as most statements focused generally on the importance of replacing the two-term system with a single duration period and recapture rights.[35] Of those who did comment on the termination provisions, some argued that the requirements were unnecessarily complicated, and since they did not take effect by operation of law, could create too much of a burden on authors wishing to exercise their termination rights.[36]

Nonetheless, some strong proponents of §§ 203 and 304 emerged in the early debates.[37] A representative for the Authors League of America, Elizabeth Janeway, strongly supported the addition of § 203, deeming it an effective "compromise" and explaining that "its purpose is to safeguard the author against being compelled to grant his rights for the entire copyright term."[38] Likewise, Tim Mahoney, speaking for the Society of Magazine Writers, praised §§ 203 and 304 for their "harmonization" of competing interests and "statesmanlike" compromise of "conflicting views."[39] The compromise of which these representatives spoke con-

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32 Particularly, under the 1909 Act, certain formalities had to be strictly observed in order for copyright protections and rights to be enjoyed. *See* Allison M. Scott, *Oh Bother:* Milne, Steinbeck, *and an Emerging Split over the Alienability of Copyright Termination Rights*, 14 J. INTELL. PROP. L. 357, 363 (2007); 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 11.07 (2018).

33 Brumley v. Albert E. Brumley & Sons, Inc., 822 F.3d 926, 928 (6th Cir. 2016); *see* Timothy K. Armstrong, *Shrinking the Commons: Termination of Copyright Licenses and Transfers for the Benefit of the Public*, 47 HARV. J. ON LEGIS. 359, 400 (2010); *see also* Abdullahi Abdullahi, *Termination Rights in Music: A Practical Framework for Resolving Ownership Conflicts in Sound Recordings*, 2012 U. ILL. J.L. TECH & POL'Y 457, 462 (2012).

34 GREENBERG, *supra* note 22, at 23-25.

35 *Id.* at 27.

36 *See Hearings on S. 597 and H.R. 2512 Before the Subcomm. on Patents, Trademarks, and Copyrights of the Comm. on the Judiciary, United States Senate*, Part 2, 90th Cong. 643 (1967) (statement of Dr. Paul L. Ward, Executive Secretary of the American Historical Association).

37 GREENBERG, *supra* note 22, at 25-28.

38 *Hearings on S. 597 and H.R. 2512 Before the Subcomm. on Patents, Trademarks, and Copyrights of the Comm. on the Judiciary, United States Senate*, Part 1, 90th Cong. 57 (1967).

39 *Id.* at Part 4, Appendix 1142.

cerned the position of copyright purchasers who were often "strongly opposed in principle to the very concept of statutory recapture in any form . . . ."[40]

As congressional hearings reached their final stages in the mid-1970s, much of the testimony revealed an optimistic view as to the benefits accruing to composers under the new termination provisions.[41] However, upon closer scrutiny, some became concerned that the new revisions repeated a common problem under the 1909 Act — they were overly complicated.[42] Nonetheless, in the final committee report on § 203, the House Judiciary Committee explained:

> The provisions of section 203 are based on the premise that the reversionary provisions of the present section on copyright renewal (17 U.S.C. sec. 24) should be eliminated, and that the proposed law should substitute for them a provision safeguarding authors against unremunerative transfers. A provision of this sort is needed because of the *unequal bargaining position of authors*, resulting in part from the impossibility of determining a work's value until it has been exploited. Section 203 reflects a practical compromise that will further the objectives of the copyright law while recognizing the problems and legitimate needs of all interests involved.[43]

The underlying policy of protecting authors with "unequal bargaining power" closely reflects the policy behind the 1909 renewal provisions.[44] It remains to be seen whether the termination provisions of the 1976 Act, particularly with regard to § 203 terminations, reflect the intent of Congress to benefit authors.[45] An analysis of the statutory termination provi-

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[40] *Id.* at 1221 (statement of the Motion Picture Association of America).

[41] *See, e.g.*, *Hearings on H.R. 2223 Before the Subomm. on Courts, Civil Liberties, and the Administration of Justice of the Comm. on the Judiciary*, Part 1, 94th Cong. 108 (statement by Register of Copyrights Barbara Ringer that § 203 would be a "real plus for authors").

[42] *Compare* Aaron J. Moss & Kenneth Basin, *Copyright Termination and Loan-Out Corporations: Reconciling Practice and Policy*, 3 HARV. J. SPORTS & ENT. L. 55, 58 (2012) (under 1909 Act, work falls into public domain if statutory requirements not met) *and* Scott, *supra* note 32, at 363 (renewal structure of 1909 Act "procedurally difficult") *with* William Patry, *Choice of Law and International Copyright*, 48 AM. J. COMP. L. 383, 447 (2000) ("It is difficult to overstate the intricacies of these provisions, the result of which is that they are barely used, no doubt the result desired by lobbyists for assignees.") *and* GREENBERG, *supra* note 22, at 40 (provisions of § 203 under 1976 Act "labyrinthine") *and* Kate Darling, *Occupy Copyright: A Law & Economic Analysis of U.S. Author Termination Rights*, 63 BUFF. L. REV. 147, 166 n.107 (2015) ("The exact mechanics of the [termination] rules were (and are) quite obscure and difficult to understand in detail, let alone interpret.").

[43] H.R. REP. NO. 94-1476, at 124 (1976) (emphasis added).

[44] Cheng, *supra* note 31, at 263.

[45] *See* GREENBERG, *supra* note 22, at x ("[I]ndustry responses and the decisions of a number of courts of appeal have, in key respects, thwarted Congress's good

sions under the 1976 Act helps to clarify the ways in which Congress ultimately manifested its intent and contextualizes the particular scenario at issue in this article.

B. Scope of the Termination Right

Termination is a complex puzzle of dates, exceptions, and formal requirements that in many ways stands at odds with the modern trend of copyright law to simplify the processes for obtaining the law's protections.[46] Moreover, from a legal perspective, several statutory exceptions and judicial doctrines have significantly narrowed the scope of the right, including those for grants by will,[47] grants other than by the author,[48] derivative works,[49] and works made for hire.[50] It is also important to note

intentions."); *see also* Melville B. Nimmer, *Termination of Transfers Under the Copyright Act of 1976*, 125 U. PA. L. REV. 947, 949 (1977) ("The purpose itself is not new, but the manner of its implementation differs markedly from the patterns of the past.").

[46] *See* Jonathan L. Kennedy, Note, *Double Standard and Facilitated Forum Shopping: A Historical Approach to Resolving the Circuit Split on Copyright Registration Timing*, 60 DRAKE L. REV. 305, 329-30 (2011) ("The new [1976] Act eliminated the formal requirements for obtaining copyright protection.").

[47] 17 U.S.C. § 203(a) (2018); 3 NIMMER & NIMMER, *supra* note 32, § 11.02[A][3]; Nimmer, *supra* note 45, at 955.

[48] 17 U.S.C, § 203(a) (2018). Post-1978 grants are terminable only if they have been executed by the author. 3 NIMMER ON COPYRIGHT, *supra* note 16, § 11.02[A][4][a]. For joint works, any one of the joint authors may grant and, after the statutory period, terminate the grant of his or her right in the work. Nimmer, *supra* note 45, at 956; Matthew Vincent H. Noller, Note, *Darkness on the Edge of Town: How Entitlements Theory Can Shine a Light on Termination of Transfers in Sound Recordings*, 46 GA. L. REV. 763, 774 (2012). However, when multiple joint authors grant their rights in a single writing, in order for termination to take effect, a majority of the joint authors must agree to terminate the grant. Noller, *supra* note 48, at 774. For pre-1978 grants, if the author fails to survive until the renewal period, then the statutory successors entitled to a claim in the renewal period may initiate termination of the grant. Nimmer, *supra* note 45, at 956.

[49] 17 U.S.C. §§ 203(b)(1), 304(c)(6)(A) (2018). While derivative works are mentioned elsewhere in the 1976 Act (e.g., §§ 101, 103, 112(g), 114(b), 115(a)(2)), for purposes of the termination right under §§ 203 and 304, any derivative works prepared under the authority of a license or grant that are subsequently terminated can continue to be exploited after termination. James J. Schneider, Note, *Defeating the Terminator: How Remastered Albums May Help Record Companies Avoid Copyright Termination*, 53 B.C. L. REV. 1889, 1899-900 (2012); GREENBERG, *supra* note 22, at 72. However, no new derivative works may be prepared after termination is effected. 17 U.S.C. § 203(b)(1) (2018). In this regard, as will be discussed *infra*, it can be argued that the greatest value of the termination right is control as opposed to remuneration alone. *See* Ashok Chandra, *Crisis of Indefinite Consequence: How the Derivative Works Exception and the Lanham Act Undercut the Remunerative Value of Termination of Transfers*, 16 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 241, 243 (2005).

that the scope of the termination right does not extend beyond the jurisdiction of the United States.[51] In other words, termination of a grant of a transfer or license of copyright is effective only as to U.S. rights.[52] Given these numerous practical and legal limitations, some have questioned whether termination effectively achieves its original purpose.[53]

II. ROYALTIES AND MUSIC PUBLISHING

Although the broader topic of royalties and royalty grants could be analyzed vis-à-vis any number of unique royalty rights (e.g., book royalties, film royalties, etc.), the writer's share royalty right that arises from certain music publishing agreements lends itself particularly well to the termination discussion.[54] To better understand the nature of the writer's share, which is ultimately critical to determining whether a writer's share grant is terminable, a brief overview of the relationships, rights, and agreements found within the music publishing industry is essential.

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[50] 17 U.S.C. § 203(a) (2018); Daniel Gould, *Time's Up: Copyright Termination, Work-for-Hire and the Recording Industry*, 30 COLUM. J.L. & ARTS 91, 102-03 (2007) (briefly defining the work for hire doctrine and contending that "[t]he most contentious work-for-hire disputes have revolved around construing the terms 'employee' and 'scope of employment,' which lack further definition in § 101"). A more thorough discussion of works made for hire is outside the scope of this article.

[51] *See* Siegel v. Warner Bros. Entm't, Inc., 542 F. Supp. 2d 1098, 1141 (C.D. Cal. 2008); *see* 3 NIMMER ON COPYRIGHT, *supra* note 32, § 11.02[B][2]; 7 WILLIAM F. PATRY, PATRY ON COPYRIGHT § 25:74 (2018); Cheng, *supra* note 31, at 274.

[52] Pierre B. Pine, *You're Terminated!: Termination and Reversion of Copyright Grants and the Termination Gap Dilemma*, 31 ENT. & SPORTS LAW. 1, 27 (2014); 3 NIMMER & NIMMER, *supra* note 32, § 11.02[B][2].

[53] *See* GREENBERG, *supra* note 22, at x ("[I]ndustry responses and the decisions of a number of courts of appeal have, in key respects, thwarted Congress's good intentions."); R. Anthony Reese, *Termination Formalities and Notice*, 96 B.U. L. REV. 895, 899–900 (2016).

[54] Importantly, royalties are not confined to music publishing. The copyright attached to sound recordings may also be exploited for pecuniary gain, and the royalties collected are paid to artists. *See* PASSMAN, *supra* note 4, at 78. These rights may also be assigned, which suggests that this article could also apply to grants of artist royalties. Furthermore, scholars have focused great attention on the right to terminate grants of sound recording copyrights, especially in relation to the work-for-hire exception. *See generally* Emily Burrows, *Termination of Sound Recording Copyrights & the Potential Unconscionability of Work for Hire Clauses*, 30 REV. LITIG. 101 (2010); Gould, *supra* note 50. With that said, a thorough discussion of royalties derived from grants of the copyright in sound recordings is outside the scope of this article. As such, a focus on royalties derived from the musical composition vis-à-vis licensing in music publishing provides a helpful lens, highlighting the particular issue of the effect of statutory termination on assignment of royalty rights.

A. The Writer–Publisher Relationship

In the music industry, a publisher is an entity (whether a person, business, or other legal entity) that performs a variety of tasks in managing the business behind the commercial exploitation of musical compositions.[55] The relationship between publishers and writers is further defined by handshake deals and written agreements that define the parties' rights and obligations.[56]

At one time, the writer was little more than a "hired gun" of big-name publishers.[57] There was a significant divide in power between creators and those who distributed their works.[58] Although the writer has since "evolved from being a servant to others to the master of his or her own domain[,]"[59] songwriters as a class still experience unequal bargaining power in relation to publishing companies. Such inequality is often reflected by the terms of their agreements with publishers.[60] Successful writers are usually able to negotiate better terms, and many high-achieving writers will own their own publishing companies.[61] Whether famous, anonymous, or somewhere in between, writers remain indispensable to the music industry.

Publishers are also key players in the music industry.[62] A publisher is often involved in the beginning of a writer's career, so a writer's decision regarding his or her publisher carries great weight for the writer's future.[63] In fact, choosing the right publisher can mean the difference between success or failure — both for the writer's reputation and pocketbook.[64] Publishers wear several hats.[65] For example, a music publisher is usually responsible for promoting songwriters, pitching their songs to record companies, registering songs with the Copyright Office, commercially exploiting songs through licensing, and paying the songwriter a percentage of the

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55 6 NIMMER & NIMMER, *supra* note 32, § 30.02[A].

56 *See* Tomlinson, *supra* note 13, at 87.

57 *History: The Singer/Songwriter*, BMI, https://www.bmi.com/genres/entry/history_the_singer_songwriter [https://perma.cc/Q6X2-Y5XY] (last visited Jan. 27, 2019).

58 Menell & Nimmer, *supra* note 7, at 801.

59 *Id.*

60 Thomas A. Mitchell, *Undermining the Initial Allocation of Rights: Copyright Versus Contract and the Burden of Proof*, 27 HASTINGS COMM. & ENT. L.J. 525, 539-40 (2004).

61 PASSMAN, *supra* note 4, at 238.

62 BRABEC & BRABEC, *supra* note 12, at 2.

63 *Id.*

64 *Id.*

65 *Id.* at 2-3.

income.[66] Some publishers take a more passive role, computing the value of songs over time and paying a portion of that value to the songwriter for the rights to the songs.[67] The reality is that publishers are signing fewer established songwriters due to the growing popularity of songwriter-publishers.[68] In order to gain a more detailed perspective of the precise rights and duties created by the writer-publisher relationship, one must look to the terms and provisions of publishing agreements.

B. The Publishing Agreement

Music publishing agreements are important for several reasons, one of which is that the transfer or exclusive license of one's rights in a copyright, other than by operation of law, requires a writing signed by the copyright owner or his or her agent.[69] While there are general categories of publishing agreements, no one agreement can rightfully be deemed "standard," although "Standard Songwriter Agreement" is the title found on many contracts.[70] Each agreement will be tailored to the specific needs, wants, and bargaining power of the parties involved. The terms of these agreements can have a significant impact on the rights of the parties to the agreement, including the termination right. Generally, a "single song agreement" grants the publisher full ownership of the copyright in certain compositions.[71] An "exclusive term agreement," which is likely the most typical agreement between a writer and publishing company,[72] grants the publisher the copyright in any songs written by the songwriter during the term of the agreement.[73] Publishers may also require writers who have entered into term agreements to execute single song agreements for compositions when they are actually created or published.[74]

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66 *Music Publishing 101*, NMPA, http://nmpa.org/music-publishing-101/ [https://perma.cc/TQ3F-4QWY] (last visited Jan. 27, 2019).

67 PASSMAN, *supra* note 4, at 238.

68 *Id.*

69 17 U.S.C. § 204(a) (2018); *see* MARK S. LEE, ENTERTAINMENT AND INTELLECTUAL PROPERTY LAW § 1:63 (2018); Robert A. Kreiss, *The "In Writing" Requirement for Copyright and Patent Transfers: Are the Circuits in Conflict?*, 26 U. DAYTON L. REV. 43, 44 (2000); Alice Haemmerli, *Take It, It's Mine: Illicit Transfers of Copyright by Operation of Law*, 63 WASH. & LEE L. REV. 1011, 1014 (2006) ("[I]t is copyright dogma that a transfer of copyright ownership requires a writing.").

70 PASSMAN, *supra* note 4, at 300.

71 KOHN, *supra* note 9, at 106. Note that "single song" is a misnomer in that copyright ownership in multiple songs may be assigned. *Id.*

72 THOMAS R. LEAVENS, MUSIC LAW FOR THE GENERAL PRACTITIONER 62 (2013).

73 KOHN, *supra* note 14, at 106.

74 *See, e.g.*, Yount v. Acuff-Rose Opryland, 103 F.3d 830, 832 (9th Cir. 1996).

The terms of publishing agreements will vary, depending on a writer's experience and bargaining power.[75] The prototypical songwriter agreement involves the writer's agreement to grant all or part of his or her copyrights in musical compositions to the publisher in exchange for the publisher's promise to administer the copyrights.[76] The publisher will also agree to pay the writer a percentage — usually 50% — of the income, known as the writer's share, derived from licensing the song to users.[77] While the writer's share is not the sole source from which writers receive payment under publishing agreements, it remains a substantial source of income for many writers.[78]

Since performing rights organizations ("PROs") generally pay publishers and writers directly, the royalties paid by publishers include money derived from non-performance licenses, such as mechanical, synchronization ("synch"), and other special licenses.[79] The percentage retained by the publisher is called the "publisher's share."[80] While the 50-50 split between the publisher's share and writer's share is standard, shares also vary depending on the type of agreement, bargaining power, the number of writers, and the publishing terms.[81]

A common writer's share provision in a standard songwriter agreement would read as follows: "In consideration of this agreement and of the rights and interests hereby conveyed and granted, Publisher agrees to pay to Composer the following royalties in respect of the Composition . . . ."[82] The agreement would then proceed to list for each income source the

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75 For example, most emerging songwriters lack the bargaining power necessary in the industry to negotiate certain rights, such as the right to approve how a publisher uses the songwriter's compositions. *See* LEAVENS, *supra* note 72, at 55. This power difference also exists to some extent in entertainment industries across the world. *See* Charlotte Waelde, *Music Performed: What Is Beyond the Score?*, *in* CONCEPTS OF MUSIC AND COPYRIGHT 43-44 (Andreas Rahmatian ed., 2015) (In the United Kingdom, "copyright owners are favoured over the performer in exploitation of rights and size of income.").

76 Tomlinson, *supra* note 13, at 87.

77 Broad. Music, Inc. v. Roger Miller Music, Inc., 396 F.3d 762, 764-65 (6th Cir. 2005); PASSMAN, *supra* note 4, at 236; Menell & Nimmer, *supra* note 7, at 802.

78 For example, most publishing agreements also include an "advance" on future royalties, which is an up-front payment that will be "recouped" from future earnings. 6 NIMMER ON COPYRIGHT, *supra* note 32, § 30.02[A]. Notably, when speaking in terms of "royalties" in the music industry generally, income is also generated from the commercial exploitation of copyrights in sound recordings. *See* Gould, *supra* note 50, at 100.

79 LEAVENS, *supra* note 72, at 53-54.

80 *Id.* at 54.

81 KOHN, *supra* note 14, at 87.

82 *Id.* at 113.

writer's royalty split.[83] Hence, the right to receive royalties arises from a contractual relationship between the publisher and the writer.[84]

C. Royalties in Music Publishing

The commercial viability of a songwriter agreement depends largely on the publisher's ability and willingness to exploit the writer's works for commercial gain.[85] Publishers can do this in a number of ways, but the most common and profitable method is by licensing the musical compositions to users on a nonexclusive basis.[86] However, publishers and writers do not receive the same percentage of royalties for each type of license.[87] Furthermore, the relative size of any particular income stream depends on consumer patterns.[88] A song that remains popular and generates steady income over a long period of time — regardless of changes in music consumption — is called an "evergreen" or a "standard."[89] A writer with multiple evergreens in his or her catalog can expect generous returns and an increased interest from third parties seeking to purchase the rights to collect from these streams.[90]

Understanding the ways in which publishers license rights and collect royalties for songs is essential to the broader concept of the writer's share. These types of licenses fall into three major categories: (1) public performance, (2) mechanical, and (3) secondary licenses, which include synch, transcription, digital, print, and foreign subpublishing.[91]

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[83] *Id.*

[84] *See* Yount v. Acuff-Rose Opryland, 103 F.3d 830, 834 (9th Cir. 1996) (quoting Fred Fisher Music Co. v. M. Witmark & Sons, 318 U.S. 643, 657 (1943)) ("Because the royalty does arise out of the contract itself, it is that contract which governs the rights of a holder of a royalty interest."); *see also infra* Section IV.A.

[85] KOHN, *supra* note 14, at 366.

[86] *Id.*

[87] PASSMAN, *supra* note 4, at 240.

[88] The current trend is a rise in public performance royalties based largely in part on income generated from streaming services. BMI, 16-17 ANNUAL REPORT 4 (2017), https://www.bmi.com/pdfs/publications/2017/BMI_Annual_Review_2017.pdf [https://perma.cc/N6HZ-44F5]. 2016 marked the first year that streaming generated the largest portion of revenue in the music industry. *Id.*

[89] *See* ROYALTY EXCHANGE, *supra* note 6, at 9; *see also* Ulric M. Lewen, *Internet File-Sharing: Swedish Pirates Challenge the U.S.*, 16 CARDOZO J. INT'L & COMP. L. 173, 200 n.169 (2008).

[90] ROYALTY EXCHANGE, *supra* note 6, at 6.

[91] *See* LEE, *supra* note 69, §§ 7:16–7:23; *see generally* PASSMAN, *supra* note 4, at 233-95; KOHN, *supra* note 14, at 83 (using a different categorization scheme than Passman but still recognizing public performance as today's primary source of publishing income).

1. Public Performance Royalties

Public performance royalties comprise the lion's share of income for music publishers and writers.[92] The 1976 Act defines the act of performing a work publicly as: (1) "perform[ing] . . . it at a place open to the public or at any place where a substantial number of persons . . . are gathered"; or (2) " transmit[ting] or otherwise communicat[ing] a performance . . . of the work to a place specified by clause (1) or to the public, by means of any device or process . . . ."[93] Examples of what constitutes a public performance are various, including, for example: songs on the radio, the score in a television series, music performed live at an amusement park or sporting event, and even the music one listens to while holding on a telephone call.[94]

In the United States, there are four PROs: ASCAP (the American Society of Composers, Authors and Publishers), BMI (Broadcast Music, Incorporated), SESAC (originally, the Society of European Stage Authors and Composers), and GMR (Global Music Rights).[95] Publishers and writers "affiliate" with the PROs.[96] The PROs then issue licenses to users, collect royalties generated from those licenses, and then generally pay publishers and writers separately and directly.[97]

The current trend in the industry is an increase in performance royalties because of a decline in record sales and downloads and an exponential increase in royalties from television and digital service providers.[98] The significance of public performance monies for musical compositions can be ascertained at least in part from the value of the two major, non-profit PROs' total receipts.[99] In 2018 alone, ASCAP generated revenues of $1.227 billion and distributed $1.109 billion to its affiliated songwriters,

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92 PASSMAN, *supra* note 4, at 240; KOHN, *supra* note 14, at 84.

93 17 U.S.C. § 101 (2018).

94 TODD BRABEC & JEFF BRABEC, PERFORMING RIGHTS LICENSING IN THE UNITED STATES: A WORLD OF MULTIPLE CHOICES, CONSIDERATIONS, AND RESULTS (2012), https://www.americanbar.org/content/dam/aba/events/entertainment_sports/2012/10/forum_on_the_entertainmentsportsindustries2012annualmeeting/md/peforming_rights_licensing_in_the_united_states.pdf [https://perma.cc/CD4J-TNEB].

95 PASSMAN, *supra* note 4, at 241; *About Us*, GLOBAL MUSIC RIGHTS, https://globalmusicrights.com/about#what-we-stand-for (last visited Nov. 4, 2019) [https://perma.cc/BL22-CAVA]; *see generally* BRABEC & BRABEC, *supra* note 94.

96 Broad. Music, Inc. v. Roger Miller Music, Inc., 396 F.3d 762, 765 (6th Cir. 2005); PASSMAN, *supra* note 4, at 242.

97 PASSMAN, *supra* note 4, at 242; *see* Scott Hanus, *Deregulating the Music Industry: A Push to Give Power Back to the Songwriters*, 16 DEPAUL BUS. & COM. L.J. 129, 130-31 (2018); *see also* WAELDE, *supra* note 75, at 43 (describing public performance royalty distribution in the United Kingdom).

98 PASSMAN, *supra* note 4, at 240.

99 BRABEC & BRABEC, *supra* note 94.

composers, and publishers.[100] Likewise, for the fiscal year ending on June 30, 2018, BMI generated in excess of $1.199 billion, distributing $1.118 billion to its affiliates, a 9% increase from the previous year.[101]

While public performance rights can be licensed in a number of ways, due largely in part to convenience, there are three primary types of public performance licenses: (1) a "blanket" or "site" license, (2) a "per program" license, and (3) a "grand rights" license.[102] A blanket license is issued by a PRO and covers all of the compositions in the PRO's repertory.[103] The yearly fee for such a license can range anywhere from a few hundred dollars to several millions of dollars, depending on the frequency and use of the licensed works.[104] The per program license authorizes the licensee to use any of the works in a PRO's repertory within a particular program, such as television or radio.[105] Finally, grand rights licenses are generally negotiated directly with a publisher and include the right to perform the song dramatically.[106]

2. *Mechanical Royalties*

Mechanical licenses comprise the second major source of income for writers. These royalties are paid by record companies to publishers for the right to use a song in records.[107] These rights include income from physical copies and digital downloads of songs.[108] Similar to PROs in relation to public performance licenses, the Harry Fox Agency offers mechanical licensing services in the United States to publishers for a fee.[109] Additionally, users have a right codified in § 115 of the 1976 Act to make and distribute musical compositions without an author's permission under certain conditions by purchasing a compulsory mechanical license.[110] While these compulsory licenses are not a substantial form of revenue, they re-

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100 ASCAP, ASCAP 2018 ANNUAL REPORT 5 (2019), https://www.ascap.com/~/media/files/pdf/about/annual-reports/2018-annual-report.pdf [https://perma.cc/L3TF-M3NC].

101 BMI, BMI 2017-2018 ANNUAL REVIEW 2 (2018), https://www.bmi.com/pdfs/publications/2018/BMI_Annual_Review_2018.pdf [https://perma.cc/MPJ4-TXVH].

102 LEE, *supra* note 69, §§ 7:18–:20.

103 PASSMAN, *supra* note 4, at 242.

104 *Id.*

105 LEE, *supra* note 69, § 7:19.

106 *Id.* § 7:20.

107 PASSMAN, *supra* note 4, at 250.

108 *Id.*

109 *Id.*

110 LEE, *supra* note 69, § 7:17.

main an important check on copyright owners' ability to monopolize musical compositions.[111]

3. Secondary Publishing Income

The third major source of revenues generated from the licensed use of music compositions fall under the umbrella category of "secondary" publishing income.[112] This category would include all other non-performance and non-mechanical rights, such as synch, transcription, digital, print, and foreign subpublishing.[113] These secondary sources highlight the commercial value of copyrights in musical compositions, stemming from the ability to license the works for a variety of uses in return for fees.

D. Assigning Royalties to Third Parties

Sometimes, a writer wants to sell his or her writer's share of future royalties to a third party.[114] The writer may want to pay off debt, buy a yacht, or start a business. One of the difficulties in assigning these rights, however, is finding a willing buyer.[115] Fortunately, the market for intellectual property, including music royalties, is booming. Today, the combined value of all intellectual property assets in the United States is at least $5.8 trillion, an amount greater than the nominal gross domestic product of any other country in the world.[116] A subset of this revenue trove, music royalties (including writers' shares), has become valuable to investors.[117] In

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111 PASSMAN, *supra* note 4, at 228-33. Of course, the Music Modernization Act ("MMA") has transformed the landscape of mechanical licensing, especially as applied to digital audio transmissions. However, the MMA likely does not have a direct impact on parties' termination rights. *See* Daniel Chozick, *Help! Fixing the Problem of Copyright Termination Inconsistencies Through Public and Private International Law*, 49 GEO. J. INT'L L.1461, 1470 (2018). A more thorough discussion of the particular implications of the MMA is outside the scope of this article.

112 *See id.* at 265-95.

113 *See id.*

114 *In re* Dillon, 219 B.R. 781, 785-86 (Bankr. M.D. Tenn. 1998). One considerable value in selling the writer's share is receiving "an upfront lump sum based on the present value of future royalty streams," which can be valuable for songwriters with debt problems or those who want to pursue new business opportunities. *See* ROYALTY EXCHANGE, *supra* note 6, at 44-45.

115 Historically, there has been a predisposition against the practice of assigning songwriter royalty shares. *See In re Dillon*, 219 B.R. at 786. However, this hesitancy is dissipating as the third-party market for buying and selling songwriter royalties has expanded. *Id.* Note that the particular marketplace discussed here concerns only the third-party purchase of the writer's share of royalties, distinguished from when a publisher who holds the copyright to a composition purchases the writer's share directly. *Id.* at 785.

116 ROYALTY EXCHANGE, *supra* note 6, at 6.

117 *See generally id.*

fact, industry experts Todd and Jeffrey Brabec call music publishing "the darling of the investment community[.]"[118]

However, the financial value of a particular royalty right is not fully ascertainable until the rights are actually exploited.[119] Therefore, purchasers of royalty rights will give the holder of rights an upfront, lump-sum payment based on the present value of a work's future royalty stream.[120] This can sometimes entail a total payment of millions of dollars.[121] Due to the substantial price of these royalty streams, many acquisitions are funded by investors who pay companies to manage their sizeable portfolios.[122] A common valuation strategy used by these companies is the discounted cash flow method, which "determines the value of intellectual property by examining the present value of expected cash flows in the future."[123] Factors considered in valuation include, inter alia: (1) the popularity of the artist and/or song(s), (2) the number of evergreens or standards included in the sale, (3) the number of artists who have recorded the songs, (4) comparable sales (if any) in the market, and (5) the state of the economy.[124] In the industry, this value is often expressed as a "multiple," a prediction of future revenue based in part on the subjective factors above and the objective factor of average past sales performance.[125] In this way, the investor becomes an integral part of the music industry, relying substantially on complex valuation schemes, market performance, and contractual promises.[126]

Having covered a brief overview of the music publishing industry, including an analysis of its key relationships, rights, and agreements, the relevance of writer's share grants in relation to termination rights under the 1976 Act becomes more apparent. To better understand the key issues, it is necessary first to illustrate the mechanics of an attempted royalty grant termination and then to address the various legal theories that may be applied under such circumstances.

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118 BRABEC & BRABEC, *supra* note 12, at 2.

119 H.R. REP. NO. 94-1476, at 124 (1976).

120 ROYALTY EXCHANGE, *supra* note 6, at 30. This valuation scheme is commonly known as the "discounted cash flow" method. *See In re Dillon*, 219 B.R. at 785.

121 *See* Mellencamp v. Riva Music, Ltd., 698 F. Supp. 1154, 1156 (S.D.N.Y. 1988) (certain John Mellencamp compositions valued at $3 million).

122 ROYALTY EXCHANGE, *supra* note 6, at 6.

123 *Id.* at 30.

124 *In re* Estate of Howard, No. M2008–00540–COA–R3–CV, 2009 WL 2184538, at *17 (Tenn. Ct. App. July 22, 2009).

125 *See id.*; KOHN, *supra* note 14, at 536; BRABEC & BRABEC, *supra* note 12, at 31.

126 *See* ROYALTY EXCHANGE, *supra* note 6, at 29.

III. ROYALTY GRANT TERMINATIONS IN PERSPECTIVE

While parties have been enjoying renewal term rights under §§ 304(c) and (d) for decades, many of the problems that arise under § 203 are issues of first impression with little judicial precedent.[127] Whether royalty grants are terminable, however, is an issue that concerns both §§ 203 and 304. In order to address this issue, it is necessary first to illustrate the practical scenarios in which such an attempted termination would take place. The hypotheticals that follow provide context for the problems each party faces. This article will then present four legal theories that attempt to address the problems that arise.

A. Termination Hypotheticals

Consider the following three hypothetical scenarios.[128] The first attempts to illustrate the fundamental principles of termination by providing a basic example in which a party terminates a grant of copyright. The second builds upon the first hypothetical by introducing a grant of the writer's share and service of notice on the grantee that the writer's share rights will be terminated along with termination of the underlying grant of copyright to the publisher (referred to later in the article as the "domino effect" theory). The third mirrors the second hypothetical in all major respects yet presumes that a royalty grant is terminable on its own, separate timeline (addressed later as the "independent timeline" theory).

1. Hypothetical One: Basic Example of Termination of Copyright Grant

A songwriter, Johnny, writes 100% of the music and lyrics to a song, "Hold On,"[129] writing the words down on paper and recording his per-

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[127] *See* Brian D. Caplan & Jonathan J. Ross, *United States Copyright Termination Rights: What Does the Future Have in Store?*, 5 LANDSLIDE 14, 16 (2013).

[128] Due to the variety of fact scenarios that can influence the analysis of every copyright termination question, a simplified example provides a helpful groundwork to understand the core issue, even if it risks over-generalization. Additionally, the terms of publishing agreements are often confidential. While real-world examples certainly would be available, issues of complexity and confidentiality are best avoided by a hypothetical-based approach grounded in realistic contractual principles.

[129] In this section, in order to give a real-world example without using actual names, the most popular name and title were chosen for the writer and publisher. The hypothetical name, Johnny, was listed as the number-one male artist name to appear on the Billboard Hot 100 charts between the years 1960–2014. Ben Blatt, *Why Is Pop Music Obsessed with Names That Start with J?*, SLATE (July 29, 2014, 3:59 PM), http://www.slate.com/blogs/browbeat/2014/07/29/most_common_names_in_songs_why_is_pop_music_obsessed_with_songs_about_johnny.html [https://perma.cc/Z2QX-P56C]. The song title, "Hold On," was named as the most

formance as a voice memo on his phone. Assuming that "Hold On" is Johnny's original work and no other copyright issues arise, Johnny owns 100% of the copyright to the song.[130] Johnny knows that "Hold On" is going to be a huge hit, but he needs help getting the song out to the public. Johnny enters into a single-song publishing agreement with a music publisher, Big Publisher. Big Publisher agrees in a signed, written contract to purchase 100% of Johnny's copyright interest in "Hold On." In return, Big Publisher agrees to promote and license "Hold On" and to pay Johnny a 50% writer's share of the royalties procured from the commercial exploitation of the song.[131]

For purposes of this hypothetical, assume that the date of execution of Johnny's grant of copyright to Big Publisher, January 1, 1985, is the same date that Big Publisher first publishes "Hold On."[132] Assume also that Big Publisher has not renegotiated, re-executed, or in any way subsequently granted its rights in "Hold On." Since the grant of copyright took place after January 1, 1978, it is governed by § 203.[133] The grant is within the scope of § 203, and so the U.S. copyright granted under the contract can return to Johnny after thirty-five years under his termination right.[134] Based on the date of execution and publication, Johnny has a five-year window beginning thirty-five years after the date of execution to effect his termination rights.[135] Thus, the effective window will open on January 1, 2020. However, Johnny cannot wait passively for this time period to come because his termination right does not operate by right of law. Instead, Johnny has to serve notice on Big Publisher, informing Big Publisher that he is exercising his termination rights to terminate the grant of copyright.[136] After Johnny serves notice, he will have to register the notice of termination with the United States Copyright Office ("USCO") in order for the termination notice to be effective.[137]

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common Billboard Hot 100 song title over the past sixty years in a 2017 article, charting on the iconic list a total of sixteen times. Gary Trust, *What's the Most Common Billboard Hot 100 Song Title?*, BILLBOARD (Mar. 10, 2017), https://www.billboard.com/articles/columns/chart-beat/1549901/whats-the-most-common-billboard-hot-100-song-title [https://perma.cc/S7DH-W5JU] (updated Mar. 18, 2017).

130 *See* 17 U.S.C. § 102(a) (2018).

131 PASSMAN, *supra* note 4, at 236.

132 This is important in reducing the complexity of the calculation of dates for purposes of copyright termination under § 203.

133 17 U.S.C. § 203 (2018).

134 *Id.* § 203(a)(3).

135 *Id.* § 203.

136 *Id.* § 203(a)(4).

137 *Id.* § 203(a)(4)(A).

2. Hypothetical Two: Termination of Writer's Share Grant (The "Domino Effect" Theory)

As the ink dries on Johnny's contract with Big Publisher in 1985, Johnny no longer owns his bundle of § 106 rights in "Hold On."[138] He has lawfully granted those rights to Big Publisher. Instead, Johnny has received a right under contract to be paid royalties from Big Publisher's good-faith exploitation of the song.[139] As mentioned earlier, this "writer's share" is valuable and can be sold, securitized, or otherwise hypothecated.[140] For example, royalty investment companies are often willing to pay large sums to acquire these kinds of rights.[141]

After Johnny has been receiving his writer's share of royalties from Big Publisher for ten years, he enters an agreement on January 1, 1995, with Smith Investors ("Smith"), a company that acquires royalty assets. Prior to purchasing the royalty rights to Johnny's hit song, Smith completed a complex valuation process on Johnny's composition, calculating a "multiple" to determine the composition's commercial value over time.[142] Ultimately, Smith arrived at a figure of $1 million, which it now pays to Johnny as consideration for the right to receive Johnny's writer's share for the life of the rights. Unfortunately, however, the Johnny–Smith agreement includes no express provisions addressing whether Johnny has a right to terminate the grant of his writer's share in the future under § 203.[143]

Twenty years go by, and in 2015, Johnny realizes that he will be able to effect his statutory termination rights to recapture his copyright in "Hold On," beginning in five years on January 1, 2020. Johnny also realizes that he is required to send advanced notice to Big Publisher no fewer than two and no more than ten years prior to the effective date he so chooses. Johnny decides to effect termination of his grant on January 1, 2023, thirty-eight years after execution of the Big Publisher agreement, and he sends notice to Big Publisher on January 1, 2018, five years prior to the effective date of grant. Johnny also records his notice of termination with the USCO, paying the requisite fee and following all statutory and regulatory requirements.[144]

After hearing about the broad scope of his termination right, Johnny considers his 1995 agreement with Smith, granting his writer's share. Al-

138 *Id.* § 106.
139 PASSMAN, *supra* note 4, at 236.
140 ROYALTY EXCHANGE, *supra* note 6, at 30-31.
141 *Id.* at 6.
142 *Id.* at 29-33.
143 However, even if the contract provided such language, it is unclear whether a court would uphold such a contractual provision, given that the termination right vests in an author "notwithstanding any agreement to the contrary." § 203(a)(5).
144 *See* 17 U.S.C. § 203 (2018); 37 C.F.R. § 201.10 (2016).

though uncertain whether this royalty right grant would be subject to termination, Johnny realizes the immense value he would receive if his royalty rights *would* revert back to him. Moreover, Johnny reasons that the royalty right would not exist but for the underlying copyright, and so any subsequent grant of rights sourced from the copyright would presumably terminate along with termination of the copyright grant. So Johnny sends a "Notice of Termination of Rights Under a Grant of Copyright" to Smith on January 1, 2019, informing Smith that its rights in Johnny's writer's share are subject to termination pursuant to § 203 of the 1976 Act and will revert to Johnny on the same effective date of termination for the underlying grant of copyright to Big Publisher — January 1, 2023. Smith, realizing the potential value at stake in royalties being collected for "Hold On" (a proven evergreen), and surprised by this development given the absence of any notice, responds in a letter explaining that it will consider any such termination a breach of contract pursuant to the terms of their 1995 agreement. The parties are unable to settle the dispute, and litigation ensues.

3. Hypothetical Three: Termination of Writer's Share Grant (The "Independent Timeline" Theory)

The year is once again 2015, and Johnny anticipates that he will be able to terminate his copyright grant to Big Publisher for the song "Hold On," beginning in five years on January 1, 2020. This time, Johnny considers what other rights related to "Hold On" he has granted since his deal with Big Publisher in 1985. He recalls his royalty grant to Smith in 1995, which would not have existed but for the copyright in "Hold On." Johnny's counsel informs him that the royalty grant might be terminable but would nonetheless constitute a separate grant with its own independent statutory timeline. As such, the earliest date Johnny could effect termination of the royalty grant would be January 1, 2030 — thirty-five years after the Johnny–Smith agreement.[145] Fast-forward to the year 2028, and Johnny follows the necessary procedures to serve notice on Smith that the 1995 royalty grant will terminate on January 1, 2033 (38 years after the Johnny–Smith agreement). For the same reasons given above, Smith responds by rejecting Johnny's claim and warning Johnny that it will treat any purported termination of the royalty grant as a breach of contract under state law.

B. Addressing the Issues with Four Possible Legal Theories

At this point, each party in the above hypotheticals is in a difficult situation. If Johnny follows through with his plans to terminate the

[145] *See* 17 U.S.C. § 203(a)(3) (2018).

writer's share grant, he is at risk of an adverse finding that he was in breach of the 1995 agreement.[146] However, Smith also risks a ruling of law that the grant was terminable under § 203(a), which could seriously jeopardize Smith's return on investment in "Hold On" and its business model in relation to other investments of a similar nature.[147] Furthermore, Big Publisher will have to navigate this conflict upon effective termination of the grant of copyright in returning Johnny's bundle of rights in "Hold On." Of course, the parties could anticipate the effect of statutory termination on the grant of royalty rights by including provisional language in their agreements, thereby addressing many of these complex issues.[148] However, to the extent that a court would have to construe a contractual provision against a conflicting right to terminate, the court would be bound under statute to uphold the right to terminate.[149]

Absent clear (and valid) contractual remedies, the resolution of the conflict once litigation ensues will turn on interpretation of the current law. As such, there are at least four separate legal theories that could be advanced: (1) writer's share grants are not terminable under federal law because a royalty right is not a right under a copyright; (2) writer's share grants may be terminated at the same time as the underlying grant of copyright under a "domino effect" theory; (3) writer's share grants are terminable under federal law on an independent timeline; or (4) writer's share grants are terminable under the principle of beneficial ownership of copyright.

The first position reflects a categorical determination that a grant of the writer's share is not subject to the federal termination right. From a

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146 *See* Yount v. Acuff-Rose Opryland, 103 F.3d 830, 835 (9th Cir. 1996) (holding that royalty rights are governed by state contract law); *cf.* Gloucester Place Music, Ltd. v. Le Bon, [2016] EWHC 3091 (ch), [2017] F.S.R. 27 (U.K. band Duran Duran's termination argument rejected and attempted termination treated as breach of contract).

147 *See* ROYALTY EXCHANGE, *supra* note 6, at 29 ("When buying these assets, investors want to ensure they obtain a fair price. Paying too much runs the risk either of not making the money back or earning poor long-term returns compared to other investment opportunities."). If a court or Congress ultimately determines that authors have the statutory right to terminate royalty grants, then royalty asset purchasers would have to account for this fact in their valuations, which in market practicality would likely result in purchasers reducing their valuation term, thus limiting the up-front value payable and, hence, negatively impacting the liquidity of authors' royalty rights. *Cf. id.*

148 In a situation like this, one could reasonably argue that the best plan of action for all involved would be to renegotiate the Smith Agreement or consider a settlement. However, these options may not be as readily available for those parties whom Congress intended to protect, particularly those with unequal bargaining power.

149 17 U.S.C. §§ 203(a)(5), 304(c)(5) (2018).

legal standpoint, this position views a royalty right as a contractual right to be governed and regulated solely by state law.[150] The position also proceeds from the conclusion that a royalty right is not a "copyright or . . . any right under a copyright."[151] As such, a grant of the writer's share would fall outside the terminable scope of §§ 203 and 304 under the 1976 Act.[152] Furthermore, from an economic policy perspective, it is essential that intellectual property investors — which are an integral part of the creative community — be able to engage authors with confidence in arm's length transactions.[153] Thus, this position seeks to uphold the benefit of industry bargains while at the same time, for purposes of terminable grants, drawing a bright line between grants of § 106 exclusive rights and grants of royalty rights. Here, Johnny may feel out of luck, but he has lost no more than his bargain. Meanwhile, Smith's investments are secure.

The second position can best be labeled the "domino effect" because it asserts that the writer's share is so inextricably bound to the underlying grant of copyright that termination of the copyright grant will sweep all underlying and ancillary rights — whether or not § 106 rights — into its terminable scope. This argument turns on a conclusion that a grant of the writer's share has no pecuniary value apart from the underlying grant of copyright.[154] Under this theory, the writer's share is borne of the *grant*, not the copyright itself.[155] Therefore, if the writer's share exists because of the grant, and if the grant is that which is terminated (notwithstanding the fact that the copyright itself still exists after termination), then the writer's share grant cannot "survive" termination of the copyright grant. The royalty stream returns to the original author. Here, Johnny is already on his way to the bank, but Smith will need to cover its assets and seriously reconsider its future legal and business strategies.

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150 *See* Yount v. Acuff-Rose Opryland, 103 F.3d 830, 835 (9th Cir. 1996).

151 § 203(a).

152 *See* 17 U.S.C. §§ 203(b)(5), 304(c)(6)(E) (2018).

153 ROYALTY EXCHANGE, *supra* note 6, at 29.

154 *Consider id.* at 8 (explaining that the pecuniary value of music intellectual property stems from copyright).

155 It does not appear that any court has yet used the phrase "domino effect" in relation to termination of grants of copyright under § 203 or § 304. Rather, this article's use of the phrase pairs the common understanding of "domino effect" with the hypothetical legal chain reaction resulting from the theory's application. *See Domino Effect*, MERRIAM-WEBSTER (2020), https://www.merriam-webster.com/dictionary/domino%20effect [https://perma.cc/7DFE-LTSL] (defining "domino effect" as "a cumulative effect produced when one event initiates a succession of similar events"). The domino effect theory thus maintains that once the original grant of copyright is terminated, all subsequent grants proximately related to the underlying copyright (e.g., the relationship between a royalty right and its copyright source) terminate at the same time.

The third position views a writer's share grant as a separate, terminable event. In other words, this position agrees with the domino effect theory that writer's share grants are terminable, but it does not go so far as to say that such termination happens at the same time as termination of the underlying grant of copyright. This position contends that the writer's share is in fact a right under a copyright pursuant to §§ 203(a) and 304(c). Such an assignment thus stands as an independent grant, beginning a new statutory clock for purposes of calculating the notice and termination windows.[156] The primary difference between this position and the first position stated above is that it views the writer's share grant as a terminable grant. While Johnny may be somewhat disappointed under this theory, if "Hold On" is a true evergreen, its economic rights will return to him in due time. Smith will most likely need to reconsider its valuation and negotiating strategies, but for today, it can breathe easily.

Finally, the fourth position utilizes the doctrine of beneficial ownership to argue that royalty grants are terminable.[157] Under the beneficial ownership theory, some courts have held that assignees of a royalty right have standing to sue for copyright infringement.[158] As applied to royalty grant terminations, the beneficial ownership theory would suggest that a royalty assignment is, in fact, a grant of a *right under a copyright* in that the right to sue is an ancillary right under a copyright.[159] Thus, in the same way that a royalty assignee has standing to sue for infringement of copyright notwithstanding the lack of legal ownership of any § 106 rights in the copyright at issue, a royalty *assignor* has the right to terminate a royalty grant notwithstanding the apparent lack of § 106 rights in the transfer because the royalty grant has, in fact, incidentally transferred a right that sounds in copyright (i.e., the right to sue for infringement provided in the 1976 Act). The beneficial ownership argument is not mutually exclusive to the second and third positions above. Rather, it exists to support the proposition that royalty grants are terminable regardless of the particular timeline on which such grants could terminate.

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156 *See* 17 U.S.C. §§ 203(a)(3), 304(c)(3) (2018).

157 *See id.* § 501(b) ("The legal *or beneficial owner* of an exclusive right under a copyright is entitled, subject to the requirements of section 411, to institute an action for any infringement of that particular right committed while he or she is the owner of it." (emphasis added)); 3 NIMMER ON COPYRIGHT, *supra* note 32, § 12.02[D] (discussing the doctrine of beneficial ownership and analyzing the case law).

158 *See, e.g.*, Cortner v. Israel, 732 F.2d 267, 271 (2d Cir. 1984) (ruling that royalty assignees had standing to sue for infringement of the underlying copyright).

159 H.R. REP. No. 94-1476, at 159 (1976) ("A 'beneficial owner' for this purpose would include, for example, an author who had parted with legal title to the copyright in exchange for percentage royalties based on sales or license fees.").

IV. ROYALTY GRANTS ARE NOT TERMINABLE

The strongest position from a legal, policy, and practice perspective is that royalty grants are *not* terminable under the 1976 Act because a grant of the contractual right to receive revenue is not an "exclusive or nonexclusive grant of a transfer or license of copyright or of any right under a copyright . . . ."[160] First, as observed in the case of the writer's share, since a royalty right is a creature of contract, matters related to its transfer or license are governed exclusively by state contract law, and thus the royalty right itself is not a copyright or a right under a copyright.[161] Second, the "domino effect," "independent timeline," and "beneficial ownership" theories fail to account for various legal and practical realities. Finally, policy favors the general rule that royalty grants are not terminable.

A. Legal Considerations

Whether a right is governed by state or federal law necessarily raises the issue of preemption. If the right to receive royalty payments is a right "equivalent to any of the exclusive rights within the general scope of copyright as specified by § 106[,]"[162] then the right would be governed by federal copyright law under the 1976 Act.[163] As such, if the right fell within the scope of § 106, it would most likely fall within the scope of terminable grants under §§ 203 and 304, subject to any exceptions. If, on the other hand, the right is not equivalent to any of the exclusive rights under § 106, then as a creature of contract, the right would be governed by state law.[164] As a state contract law issue, state courts would most likely view a notice of termination of a valid and binding contract for writer's share royalty rights to be an effective breach of that contract.[165] Thus, the parties would

160 17 U.S.C. § 203(a) (2018).

161 Yount v. Acuff-Rose Opryland, 103 F.3d 830, 835 (9th Cir. 1996).

162 17 U.S.C. § 301 (2018).

163 *See* Rosciszewski v. Arete Assocs., Inc., 1 F.3d 225, 232-33 (4th Cir. 1993). To this end, if a particular right constitutes an exclusive right under § 106, or if it passes the equivalency test of § 301, then it is almost certain that the right would fall within the scope of the termination provisions in §§ 203 and 304, which require the terminable grant to assign a "copyright or any right under a copyright." 17 U.S.C. §§ 203(a), 304(c) (2018).

164 *Yount*, 103 F.3d at 835 (recognizing that a contractual dispute is a concern of state law and not federal copyright law); *see also* Jordan-Benel v. Universal City Studios, Inc. 859 F.3d 1184 (9th Cir. 2017) (whereas theft of film itself sounded in copyright infringement, theft of *idea* for film sounded in implied-breach-of-contract arising under state law).

165 *See* Warren v. Fox Family Worldwide, Inc., 328 F.3d 1136, 1143 (9th Cir. 2003) (analyzing a claim for failure to pay royalties under state contract law).

be required to pursue remedies under state law, as the writer would have no right to terminate the grant under federal statutory law.[166]

Several federal and state courts have held that royalty rights are governed exclusively by state contract law.[167] For example, in *Yount v. Acuff-Rose Opryland*, a case involving a dispute over writer's share royalties, the United States Court of Appeals for the Sixth Circuit explained that "protection of authors may well come from laws that give them the freedom to contract at will rather than from laws which prevent them 'from realizing on their assets when they are most in need of funds.'"[168] The court recognized that while the obligation to pay royalties cannot be separated from the ownership of the copyright itself, a royalty holder's rights and protections are limited to those that are set forth by contract.[169] The court concluded that "[b]ecause the royalty does arise out of the contract itself, it is that *contract which governs the rights* of a holder of a royalty interest."[170] The court explained:

> When Yount transferred the underlying copyright, he obtained a contractual right to royalties. He no longer had a copyright; he had a mere contractual right — a promise by 4 Star that it would make royalty payments. At that point federal copyright law essentially ceased to be concerned with how that contractual royalty right or assignments of it would be enforced.[171]

On remand in *Yount*, however, the district court ruled that the assignment at issue was valid and effective and that the defendants owned and were entitled to be paid all royalties and income for the composition "unless and until the plaintiff's earlier copyright grant was terminated."[172] The district court did not address how such a hypothetical future termination might affect the defendants' royalty rights, only that they would no longer necessarily own and be entitled to *all* royalties and income for the song.[173] Due to the factual nature of these legal determinations and the absence in the *Yount* case of additional facts regarding the particular agreements and assignments, it is difficult to analyze with certainty what

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166 *See, e.g.*, Mitchell v. Artists Rights Entm't Corp., 653 Fed. App'x 522, 524 (9th Cir. 2016) (holding that a material breach of a royalty contract justifies rescission). Note that the federal court had diversity jurisdiction in this suit to hear the state law claim. *See id.* at 523; 28 U.S.C. § 1332(a) (2018).

167 Steve Malin, *Litigating Intellectual Property Disputes in Texas State Court*, 12 TEX. INTELL. PROP. L.J. 473, 476 (2004).

168 *Yount*, 103 F.3d at 834 (quoting Fred Fisher Music Co. v. M. Witmark & Sons, 318 U.S. 643, 657 (1943)).

169 *Id.*

170 *Id.* (emphasis added).

171 *Id.* at 835.

172 Yount v. Acuff-Rose Opryland, No. 2:94-cv-06136-ER-JG (C.D. Cal. Sept. 12, 1997) (judgment).

173 *Id.*

the district court meant when it qualified the defendants' entitlement to royalties. Nonetheless, the *Yount* court based its reasoning on a number of cases that dealt with the royalty right issue, which provide additional guidance on the issue.[174]

One of the earliest cases addressing royalty rights arising from the grant of intellectual property rights was *Luckett v. Delpark, Inc.* in which the United States Supreme Court held that a suit concerning patent royalties as opposed to the validity of the patent itself "is not a suit under the patent laws of the United States . . . ."[175] Several federal courts have addressed the distinction between rights arising from the subject matter of copyright and rights arising from agreements between parties dealing in copyrightable subject matter.[176] These cases emphasize the difference between a right that arises under federal law and one that owes its entire existence to contractual provisions in parties' agreements. Importantly, with a few well-delineated exceptions,[177] a right to receive royalty payments is generally not defined by the Copyright Act but rather is conceived in, defined by, and enforced through reference to parties' contracts. For example, the writer's share itself is a creature of contract and industry practice.[178]

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[174] *See Yount*, 103 F.3d at 835 (citing cases).

[175] Luckett v. Delpark, Inc., 270 U.S. 496, 502 (1926); *see* Schwarzkopf Dev. Corp. v. TI-Coating, Inc., 800 F.2d 240, 244 (Fed. Cir. 1986) (actions to collect patent royalties arise under state contract law).

[176] *See* Vestron, Inc. v. Home Box Office, Inc., 839 F.2d 1380, 1382 (9th Cir. 1987) (an action for "contractual rights to ownership or royalties" is one that seeks "to vindicate rights created under state law"); *see also* Royal v. Leading Edge Prods., 833 F.2d 1, 5 (1st Cir. 1987) (declining jurisdiction over a "garden-variety contract dispute" dealing with collection of computer software royalties, notwithstanding the plaintiff's "heroic efforts to costume it in the guise of a copyright action"); Cortner v. Israel, 732 F.2d 267, 272 (2d Cir. 1984) (breach of implied obligation regarding royalties may create liability "at common law," but not under federal copyright law); Gordon v. Vincent Youmans, Inc., 358 F.2d 261, 262-63 (2d Cir. 1965) (state law applied to construction of agreement assigning rights to a song); T. B. Harms Co. v. Eliscu, 339 F.2d 823, 827 (2d Cir. 1964) (copyright statutes do not create a "right of action to enforce or rescind assignments of copyrights"); Hayes v. Carlin Am., Inc., 168 F. Supp. 2d 154, 157 (S.D.N.Y. 2001) ("Royalties are created by contracts of assignments of copyrights, and hence are controlled by contract law[.]").

[177] Consider, for example, the fixed statutory minimum rate for compulsory mechanical licenses. 17 U.S.C. § 115 (2018); *see* U.S. COPYRIGHT OFFICE, MECHANICAL LICENSE ROYALTY RATES (2018), https://www.copyright.gov/licensing/m200a.pdf [https://perma.cc/PQS7-YD6Z].

[178] *See Hayes*, 168 F. Supp. 2d at 157; Phila. Eagles Football Club, Inc. v. City of Philadelphia, 823 A.2d 108, 127 (Pa. 2003); Horadam v. Stewart, No. M2007-00046-COA-R3-CV, 2008 WL 4491744, at *10 (Tenn. Ct. App. Oct. 6, 2008) (expert witness testimony).

State courts have also recognized that royalty rights are contractual rights governed by state law. In *In re Estate of Howard*, the Court of Appeals of Tennessee noted that the party "did not own any copyrights, but only the contract right to receive royalties from music publishers to whom he had assigned the copyrights."[179] Further, in *Horadam v. Stewart*, the Court of Appeals of Tennessee explained that royalty rights are not among the exclusive rights afforded to owners of copyright under the Copyright Act.[180] The court further noted it was telling that Congress had so clearly delineated the "rights accompanying copyright ownership separate and apart from any royalty right . . . ."[181]

Therefore, it is likely that in deciding whether writer's share grants are terminable, courts will look to existing case law and find that disputes over royalty rights are governed by state law and thus are not grants of rights "under a copyright."[182] Courts will also note that royalty rights are neither defined in the 1976 Act nor included in its list of § 106 rights. With federal law inapplicable, courts would have to resort to state contract law to settle disputes regarding the writer's share.[183] Thus, if an author were to terminate a grant of royalty rights that were initially exchanged for valuable consideration under contract, a court would likely apply state con-

179 *In re* Estate of Howard, No. M2008–00540–COA–R3–CV, 2009 WL 2184538, at *2, n.2. (Tenn. Ct. App. July 22, 2009).

180 *Horadam*, 2008 WL at *11.

181 *Id.*

182 *See* Yount v. Acuff-Rose Opryland, 103 F.3d 830, 835 (9th Cir. 1996); *Hayes*, 168 F. Supp. 2d at 157.

183 Another way in which courts might support a conclusion that royalty grants are not terminable is by analyzing the requirements for perfecting a security interest in receivables or proceeds of copyright. *See* 5 NIMMER & NIMMER, *supra* note 32, § 19A.04[C][5]. Section 205 of the 1976 Act sets forth rules pertaining to "[a]ny transfer of copyright ownership or other document pertaining to a copyright[,]" which includes filings related to security interests in registered copyrights. At least one court has concluded that the provisions for filing with the U.S. Copyright Office are sufficient and supersede the requirements of filing under Article 9 of the Uniform Commercial Code. *See In re* Nat'l Peregrine, Inc. v. Capitol Fed. Savs. & Loan Ass'n, 116 B.R. 194, 203 (C.D. Cal. 1990) ("The court therefore concludes that the Copyright Act provides for national registration and 'specifies a place of filing different from that specified in [Article Nine] for filing of the security interest.' UCC § 9302(3)(a). Recording in the U.S. Copyright Office, rather than filing a financing statement under Article Nine, is the proper method for perfecting a security interest in a copyright."). However, there is also case law in the Ninth Circuit to support the conclusion that no such Copyright Office filing is required to perfect a security interest in writer's share performance royalties as *proceeds* of copyright. Broad. Music, Inc. v. Hirsch, 104 F.3d 1163, 1166-67 (9th Cir. 1997) (holding that security interest in a royalty right was not a security interest in a copyright and thus the rules for perfecting security interest in a copyright as established by the *Peregrine* precedent did not apply).

tract law to hold the attempted termination of such rights ineffective (and a probable breach of the contract).[184] Then, depending on the specific provisions of the parties' agreement, an opposing party would likely be justified under state contract law to argue that such an attempted termination constituted a breach of contract.[185]

B. Policy and Practice Considerations

Holding that royalty grants are not terminable under the 1976 Act is consistent with both legislative intent and sound industry practice. For one, Congress intended that the statutory termination right would benefit authors who often lacked the bargaining power necessary to thrive in the industry.[186] However, the true value of the termination right is much more than pecuniary — it also provides authors with a second chance to *control* their works as they did before the grant of copyright.[187] Should termination be effective as to the grant of a passive royalty interest, the terminating author would be reunited with no such right of control, unless of course the author also terminated the grant of the underlying copyright.

Furthermore, the industry of buying and selling music royalties relies heavily on complex valuations and searching due-diligence inquiries that increasingly require disclosure of termination dates and timelines.[188] Regardless of whether such data is forthcoming in the express language of the parties' agreement, it is almost unquestionably a basis of their bargain that the buyer has calculated the offered dollar amount based on an expectation to receive from the seller a *vested* right to the revenue streams, not merely a defeasible one. As such, should writers have the inalienable right to terminate grants of the writer's share, third-party purchasers would likely alter their dealings with such writers to account for this termination right, limiting purchasers' viable sales-structuring options to certain lim-

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184 *See* Gloucester Place Music Ltd. v. Le Bon [2016] EWHC 3091 (ch), [2017] F.S.R. 27 (U.K. band Duran Duran's termination argument rejected and case treated as breach of contract).

185 *See Hayes*, 168 F. Supp. 2d at 157. Of course, any analysis of the legal implications of a particular agreement will depend largely on the language used in the instrument.

186 H.R. Rep. No. 94-1476, at 124 (1976); Greenberg, *supra* note 22, at 8.

187 In this respect, the derivative works exception of § 203(b)(1) is particularly informative. Under the derivative works exception, parties may continue to exploit derivative works that were prepared under the authority of the terminated transfer or license. Thus, while termination is intended to be an effective vehicle for regaining § 106 rights in the original work, it does not operate to regain the entire pecuniary value of an exploited composition. Parties who have lawfully exploited derivative works under a pre-existing license may continue to reap the benefits of those works.

188 *See* Royalty Exchange, *supra* note 6, at 29-33.

ited terms of years that could reduce profit margin and thus negatively impact the liquidity and marketability of writers' otherwise valuable royalty streams.[189] Generally, royalty purchasers utilize letters of direction to navigate the complex administrative process.

Ultimately, a clear determination of whether grants of writer's share interests are terminable would benefit authors, publishers, and third-party purchasers alike, in that it would provide them with guidance as to how they might structure their agreements to maximize profitability and minimize risk of liability.

C. *Addressing Potential Counterarguments*

Various positions contend that royalty grants *are* terminable, including the "domino effect," "independent timeline," and "beneficial ownership" theories, which were addressed briefly in Section III.B above. While these approaches are creative and insightful, each theory ultimately fails in light of the statutory text and industry practice. A closer look at each theory will help to identify its material weaknesses.

First, the "domino effect" theory relies primarily on the argument that the writer's share is somehow "inextricably bound" to the underlying copyright and, therefore, that the writer's share would not exist if the underlying copyright were not commercially exploited. Though perhaps not a "copyright," the theory contends that the royalty right constitutes a "right under a copyright," the grant of which is thus subject to termination.[190] However, this apparent relationship between the contractual right and the statutory right is not dispositive of the issue. Courts have long held that claims for a common-law or state-law created right will not necessarily invoke federal jurisdiction, "even though the claim might incidentally involve a copyright or the Copyright Act."[191] Courts will decide whether the claim arises under federal copyright law by considering the "nature of the principal claim asserted by the plaintiff."[192]

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189 *See id.* In order to navigate the complex web of payment streams, royalty purchasers often utilize letters of direction to ensure that those parties directly involved in the exploitation of the underlying copyright direct payment of the writer's share (or other royalty) to the purchaser. *See* SoundExchange, *Letter of Direction FAQs*, SOUNDEXCHANGE (last updated Nov. 2019), https://www.soundexchange.com/about/general-faqs/letter-direction-faqs/ [https://perma.cc/87DY-UV4N].

190 17 U.S.C.§ 203(a) (2018). It does not appear that any court has applied the "domino effect" theory or its legal equivalent. The use of the phrase "domino effect" is used here to describe the process of subsequent grants of particular rights all falling down into the original grant, thus becoming terminable upon the effective date calculated from the original grant.

191 Topolos v. Caldewey, 698 F.2d 991, 993 (1983).

192 *Id.*

Furthermore, parties who seek to regain rights that they have assigned under federal copyright law must do so within a particularized termination "window."[193] If a party were to attempt to file a notice of termination of a writer's share grant with the USCO, he or she would be required by law to indicate the date of *execution of the grant* to be terminated.[194] Thus, one could not rely on the date of execution of the grant of copyright if the grant to be terminated is a grant of a separate and distinct right — namely, a royalty right.

Second, the "independent timeline" theory stands on firmer ground than the "domino effect" because, at the very least, it recognizes the statutory and regulatory requirements for filing a notice of termination with the USCO. This theory, however, fails to support its position in light of the general consensus that royalty rights are governed by state contract law.[195]

Finally, the beneficial ownership argument as applied to termination of royalty grants contends that a grantor of royalties may terminate the royalty grant based on the idea that the grant itself must have transferred some right under a copyright because, upon completion of the grant, the royalty grantee possessed a right under a copyright — the right to sue for infringement of the underlying copyright.[196] Thus, it would follow, some right under a copyright must have been granted in the process. Although the beneficial ownership theory is based upon a well-accepted rule of law that the holder of a royalty right generally has standing to sue for infringement of the underlying copyright, the theory has been applied narrowly and only as to *standing* to sue for infringement.[197] While the concept of transferring standing is itself controversial,[198] it should be noted that the beneficial ownership doctrine functions to establish a party's standing to sue but does not establish the nature of the scope or substance of rights to be litigated.[199] In other words, although beneficial ownership provides a

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193 *See* 17 U.S.C. §§ 203(a)(3), 304(c)(3) (2018).

194 17 U.S.C. § 203(a)(4)(A) (2018).

195 *See* Yount v. Acuff-Rose Opryland, 103 F.3d 830, 835 (9th Cir. 1996); Hayes v. Carlin Am., Inc., 168 F. Supp. 2d 154, 157 (S.D.N.Y. 2001).

196 *See* § 501(b); 3 NIMMER & NIMMER, *supra* note 32, § 12.02[D] (discussing the doctrine of beneficial ownership and analyzing the case law).

197 *See* Cortner v. Israel, 732 F.2d 267, 271 (2d Cir. 1984) (ruling that royalty assignees had standing to sue for infringement of the underlying copyright).

198 *See, e.g.*, Righthaven, LLC v. Hoehn, 716 F.3d 1166, 1169-72 (9th Cir. 2013) (holding that an assignment of the bare right to sue for infringement does not confer standing upon the assignee); Nate Anderson, *Copyright Troll Righthaven Finally, Completely Dead*, ARS TECHNICA (May 9, 2013, 3:00 PM), https://arstechnica.com/tech-policy/2013/05/copyright-troll-righthaven-finally-completely-dead/ [https://perma.cc/ZE4B-D5FX].

199 *See* Broad. Music, Inc. v. Hirsch, 104 F.3d 1163, 1166 (9th Cir. 1997) ("That Miller may have been a beneficial owner of copyrights . . . is irrelevant to determining whether a transfer occurred according to sections 101, 201(d), or 205(d) of

litigant with standing to sue, it does not magically vest that litigant with legal ownership of § 106 rights in a copyright.[200] Without the grant of such rights, the termination provisions are inapplicable.[201]

D. The Need for a Solution

As of this writing, it appears that no court has yet decided whether grants of a writer's share interests are terminable, let alone whether royalty grants in general are terminable. In the absence of clear legislative or judicial guidance, clients on either side of the agreement remain vulnerable to unforeseen and potentially inconsistent applications of the law with regard to the scope of termination.[202] Authors who presume that the law permits termination of royalty grants may be at risk for breach of contract if they act on such presumptions.[203] In the case of writer's share grants, publishers and PROs may continue to face ambiguities as to which licenses remain effective and which parties are to be paid. Finally, while third-party purchasers are certainly wise to protect themselves with well-drafted termination provisions in their agreements, to the extent that such provisions conflict with the statutory right of termination as interpreted by a court, the termination right by law must prevail.[204]

Furthermore, it appears that authors' utilization of their termination rights is increasing, as the number of termination notices processed by the USCO continues to grow.[205] In 2016, the USCO processed 367 notices terminating grants of copyrights made in the 1970s, most of which pertained to musical works.[206] The total monetary value these grants re-

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the Act. . . . Beneficial ownership arises by virtue of section 501(b) for the purpose of enabling an author or composer to protect his economic interest in a copyright that has been transferred. . . . Beneficial ownership is a standing doctrine that does not determine the scope or substance of rights under a copyright. Regardless of whether beneficial ownership may somehow have passed to Staenberg and Hirsch, the assignments did not amount to 'transfers of copyright ownership.'").

200 *See id.* at 1166 ("Assignments of interests in royalties have no relationship to the existence, scope, duration or identification of a copyright, nor to "rights under a copyright.").

201 *See* 17 U.S.C. §§ 203(a), 304 (2018).

202 Today, there exists an appreciable threat that parties will attempt to terminate writers' share grants. While this threat has yet to play out before the public eye or in the available case law, instances of such termination attempts do exist, as witnessed in industry practice. However, the substance of correspondence evidencing such attempts is currently subject to nondisclosure.

203 *Cf.* Gloucester Place Music, Ltd. v. Le Bon, [2016] EWHC 3091 (ch), [2017] F.S.R. 27 (U.K. band Duran Duran's termination argument rejected and case treated as breach of contract).

204 17 U.S.C. § 203(a)(5); § 304(c)(5) (2018).

205 U.S. COPYRIGHT OFFICE, FISCAL 2016 ANNUAL REPORT 4 (2017).

206 *Id.*

present is uncertain, as much of the financial data is proprietary.[207] However, since many authors with evergreens and robust catalogs are seeking to regain control of their works through termination, the total estimated value that authors and investors stand to gain or lose is easily in the millions of dollars.[208]

Therefore, in the absence of judicial guidance as to whether writers' share grants are terminable, a clear and authoritative solution is essential.

E. Clarifying the Nature of Royalty Grants Under the Copyright Act

To resolve the issue of whether royalty grants are terminable and provide authoritative guidance to all parties affected, this article proposes a statutory amendment to clarify the 1976 Act. Initially, one could certainly argue that a statutory amendment is unnecessary and might suggest a different approach, such as petitioning the USCO to promulgate regulations pursuant to its authority under §§ 115(c)(4) and 702 of the Act. However, this regulatory approach is less promising in the copyright law context, as courts have traditionally given USCO regulations and interpretations little deference, and there does not appear to be any reliable pattern of consistency as to which regulatory actions the courts have ascribed controlling weight.[209] Thus, though difficult to implement, the approach of a statutory amendment is the most promising approach to provide the requisite guidance regarding the legal rights of all parties involved.[210]

The proposed amendment performs two specific tasks. First, it lays the groundwork for an operative amendment by defining "royalty" in such a way as to cover specific rights, such as the writer's share, as well as other general copyright-sourced revenue streams. Second, the amendment provides that a royalty right (which would thus include the writer's share) is

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[207] *See, e.g.*, ROYALTY EXCHANGE, *supra* note 6, at 6 (noting that the purchase of royalties has traditionally been available only to insiders in the industry).

[208] For example, Michael Jackson's estate alone has been valued in excess of $1 billion, due in large part to the success of his music over time. ROYALTY EXCHANGE, *supra* note 6, at 9.

[209] *See* Joshua Beldner, *Charlie Daniels and "The Devil" in the Details: What the Copyright Office's Response to the Termination Gap Foreshadows About the Upcoming Statutory Termination Period*, 18 B.U. J. SCI. & TECH. L. 199, 233-38 (2012) ("The Copyright Office's conservative rulemaking, however, manifests its uncertainty as to its ability to quality for deference and leaves authors vulnerable to judicial interpretations, especially since courts have not always respected the plain language of the termination provisions."). As for the USCO's interpretive rules and general statements of policy, *Kisor v. Wilke*, decided by the Supreme Court in 2019, appears unlikely to give administrative agencies any shortcuts to having a binding effect. *See Kisor v. Wilke*, 139 S. Ct. 2400 (2019).

[210] On the subject of revising the Copyright Act, see generally Maria A. Pallante, *The Next Great Copyright Act*, 36 COLUM. J. LAW & ARTS 315 (2013).

neither a copyright nor a "right under a copyright" and is expressly excluded from the terminable scope of §§ 203 and 304.

1. Defining "Royalty"

The 1976 Act should be amended to include a definition of the term "royalty." While several terms commonly used in the entertainment industry are not defined in the 1976 Act, scarcity alone should not preclude the introduction of a new definition into the Act, especially if doing so will bring clarity to other provisions.[211]

The term "royalty" is ubiquitous in both intellectual property and mineral law.[212] As such, it is important that any definition for the term "royalty" provided in § 101 of the Copyright Act be broad enough to encompass the wide variety of copyright-sourced revenue streams yet also distinct from non-copyright revenue rights, including patent and mineral royalties. Therefore, the following statutory language is proposed to define "royalty":

> A "royalty" is any payment generated by the commercial exploitation of a copyright. A royalty is usually paid to the creator of a copyright or the copyright owner, and the particular sum to be paid is established by statute or contractual agreement.

While the proposed definition for "royalty" is helpful in understanding the nature of a royalty as a right, standing alone it fails to address clearly the relationship between a royalty grant and the termination right. Thus, in order to clarify this crucial relationship, additional statutory language must provide that royalty grants are outside the terminable scope of §§ 203 and 304.

2. Excluding Royalty Grants from the Terminable Scope of §§ 203 and 304

Having proposed statutory language to define "royalty," it is necessary to propose statutory language that clearly establishes (1) that a royalty is neither a copyright nor a "right under a copyright"[213] and (2) that the grant of such a right is outside the terminable scope of §§ 203 and 304. Therefore, the following statutory language is proposed:

> A royalty right, as defined by section 101 of this title, is neither a copyright nor a right under a copyright. The grant, transfer, license, assignment, securitization, or other hypothecation of a royalty right is not subject to termination under section 203 or section 304 of this title.

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211 *See generally* 17 U.S.C. § 101 (2018).
212 *See generally* United States v. Navajo Nation, 537 U.S. 488 (2003) (royalties arising from mineral license agreement).
213 *See* 17 U.S.C. § 203(a) (2018).

This provision lays a legal groundwork for a helpful clarification to the termination right. Importantly, the termination provisions of the 1976 Act use the phrase "right under a copyright"[214] and "copyright"[215] to identify which grants are subject to termination. By clearly excluding royalty grants from the spectrum of rights arising under copyright, the amendment would affirmatively remove royalty grants (and, thus, writer's share grants) from the terminable scope of §§ 203 and 304. While additional amendments might achieve more by way of a belt-and-suspenders approach, it would be superfluous in light of the relationship between the proposed language above and §§ 203(a), 304(c), and 304(d).

Ultimately, a statutory amendment provides the best solution to the issue this article seeks to address. Official USCO opinions are insufficient to protect clients' interests, and courts have yet to address whether authors may terminate royalty grants, including grants of the writer's share. Therefore, by making clear that royalties are neither copyrights nor rights under a copyright, the proposed amendments effectively place royalty grants outside the terminable scope of §§ 203 and 304. Should such proposed language fail to be incorporated in the current version of the Copyright Act, then at a minimum, such language should be considered in the ongoing discussion regarding the next general revision of the Copyright Act.[216]

V. PROTECTING CLIENTS' INTERESTS

While a statutory amendment would provide authoritative direction for all parties involved, it is necessary in the meantime to provide guidance to practitioners seeking to protect their clients' interests. Clients affected by the issue of attempted termination of writers' share grants include songwriters, music publishers, third-party purchasers, and others. When one envisions the various parties involved in other royalty grants, the scope of the issue quickly broadens. For purposes of this article, the following guidance relates solely to the grant of the writer's share. However, the underlying principles could arguably apply to most royalty grants.[217]

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214 *Id.*

215 *Id* § 304(c).

216 *See generally* Pallante, *supra* note 210.

217 The complex nature of royalty grants and client needs makes any "one-size-fits-all" approach to practical guidance particularly challenging. In light of these challenges, Part V of this article narrows its practical guidance to write's' share grants in the music publishing industry. While this article contends that the fundamental concepts related to writers' share grants are applicable to the issue of royalty grants more generally, it should be noted that a vast array of different factors and contexts can influence a case-specific legal analysis. As always, parties should consult experienced attorneys.

There are at least three different deals in which the effect of a potential termination of the writer's share has particular significance: (1) publishing agreements between a writer and a publisher, (2) writer's share purchase agreements between a writer and a third-party purchaser, and (3) writer's share purchase agreements between a writer and a publisher. Obviously, in each deal there are opposing interests; thus, the following "practitioner points" seek to provide best practices for representing each party.

The first deal is a publishing agreement between writer and publisher. When representing the writer, it is important to negotiate terms that allow the writer to grant his or her writer's share to a third-party purchaser without unreasonable encumbrances.[218] The writer's share is a valuable right, and while it is a passive right subject to the publisher's administration right, it is important that the right be marketable for the writer.[219] On the other side of the table, the publisher is interested in clarifying the parameters of the writer's share and the effect of any potential future termination right. Since the publisher will be responsible for paying the writer's share, it is important for the publisher to have confidence that any future third-party grantees who have contracted with the writer will not have any material recourse against the publisher.[220]

The second deal involves a writer granting his or her writer's share to a third party. These agreements are complex and often require a significant amount of negotiating by both parties.[221] Before purchasing revenue streams, third-party purchasers often conduct extensive chain-of-title inquiries to determine whether the interest is encumbered and, if so, whether the purchaser is willing to purchase the rights subject to such encumbrances.[222] Once the purchaser determines that it is willing to purchase the interests, the purchaser should be sure to include a provision that directly addresses the limitations of the statutory termination right on the grant of the writer's share. For example, a third party may consider

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218 *See, e.g.*, Broad. Music, Inc. v. Hirsch, 104 F.3d 1163, 1165 (9th Cir. 1997) (federal tax lien).

219 *See* ROYALTY EXCHANGE, *supra* note 6, at 44-46.

220 PASSMAN, *supra* note 4, at 235-36.

221 The negotiation process typically takes place when royalties are sold in private sales; however, some companies, such as Royalty Exchange, are beginning to take royalty sales public by providing an auction environment. *See* ROYALTY EXCHANGE, *supra* note 6, at 54. In these scenarios, the assignment of the right typically involves less private negotiation, and the agreement's terms are generally established by Royalty Exchange. *See id.* at 54-55. If the scenario involves a securitization of royalty rights, then parties must also be mindful of any applicable SEC regulations and state security laws. *See* Solomon & Bitton, *supra* note 10, at 175.

222 *See, e.g.*, *Hirsch*, 104 F.3d at 1165 (federal tax lien).

including the following provision in a deal involving a grant of writer's share royalty rights arising from a post-1978 copyright:

> This is an agreement for the purchase of Seller's interests in writer's share royalties for the Compositions. This agreement does not grant any copyright interests in the Compositions to Buyer. As such, 17 U.S.C. § 203(a) of the Copyright Act does not apply to the interests granted to Buyer hereunder, and no interests granted under this agreement constitute any "right under a copyright" as provided in that section.

Additionally, the agreement should consistently refer to the grant as a transfer or license of the "writer's share" or of a "royalty" right. This terminology provides clarity and linguistic distinction from the magic "grant . . . of a copyright" language in § 203. The agreement should also clearly state that there are no copyrights being granted, as a court could view such language as indicative of a grant of "rights arising under a copyright" subject to § 203 or § 304.[223]

When representing the writer in a grant of his or her writer's share, there is an interest in regaining as many rights as possible. While the writer may encounter a provision similar to the one provided above, it should be understood that the provision simply clarifies the third-party's position on the law and does not, in fact, present an adverse position for the writer. If the third party's provision is a correct statement of the law, then the writer is simply on notice as to the extent of his or her statutory right of termination. Of course, it would be in the best interest of the writer to allow for ambiguity as to the effect of termination so that potential future changes in the law could be resolved in the writer's favor.

The third agreement involves a publisher purchasing the writer's share directly from the writer. This scenario is rare, and much of the advice regarding agreements between writers and third parties would likely apply on a case-by-case basis.[224] The key difference is that the publisher in this case, once acquiring the writer's share, will effectively control and possess the entire copyright *and* royalty rights in the song. Here, the publisher should again include language that clarifies the rights granted and the effect of termination on such rights, if any. The writer should allow for ambiguity, but he or she should not be concerned when encountering a

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223 *See* 17 U.S.C. §§ 203(a), 304(c) (2018).

224 In addition to buying the writer's share outright, publishers may acquire a percentage of the writer's share where there are multiple writers and the agreement requires a greater share of the song than a writer has actually written. *See, e.g.*, PASSMAN, *supra* note 4, at 318-19. However, given the legislative history of the termination provisions and the "notwithstanding any agreement to the contrary" language of § 203(a)(5), the exact scope and viability of such agreements remain in question. *See* H.R. REP. NO. 94-1476, at 124 (1976).

provision that clarifies the termination right, as the provision is not materially adverse to his or her rights.[225]

Ultimately, the key to avoiding costly litigation is to negotiate favorable terms and clarify the client's position on a particular issue with the other party. For investors and publishers with an interest in getting a return on investment, provisional language that limits the termination right is key. For writers who are seeking the best position available, the key is negotiating favorable terms elsewhere in the agreement and attempting to leave the termination issue open for interpretation.

CONCLUSION

Ultimately, royalty grants are most likely not subject to termination under federal copyright law. The writer's share of songwriter income is a subset of royalty rights and is a creature of music publishing agreements. As such, the writer's share arises under state contract law and not federal copyright law. However, the law has been largely silent as to whether the termination right can operate to terminate writers' share grants, let alone royalty grants in general. In the absence of legislative or judicial guidance on the matter, the most effective solution is to provide legally-binding guidance by means of a statutory amendment to clarify that royalty rights are neither copyrights nor rights under a copyright and that royalty grants are thus not within the terminable scope of §§ 203 and 304 of the 1976 Act. In the meantime, practitioners are advised to consider carefully the implications of authors' statutory termination rights — lest someone have a third bite at the apple.

225 Another important legal implication of which parties should be aware is that any renegotiation of rights could constitute a new "grant," which would restart the 35-year timeline for purposes of termination under § 203.

ONCE UPON A TIME IN HOLLYWOOD: AN EXAMINATION OF "SUBSTANTIAL SIMILARITY" IN CALIFORNIA IDEA SUBMISSION CASES

by DAVID ARONOFF*

I. INTRODUCTION

It is fundamental that the U.S. Copyright Act does not protect ideas. Thus, a would-be motion picture or TV writer who believes that his or her ideas have been stolen by a Hollywood studio or streaming service in its latest hit programming is generally out of luck in seeking redress under a copyright infringement theory. However, the law has developed alternative theories of implied contract and confidentiality protection for ideas that are submitted for sale to and knowingly accepted by entertainment companies.

Broadly speaking, a plaintiff asserting idea submission claims based on breach of implied-in-fact contract or breach of confidence legal theories must establish a direct contractual or confidential relationship with the defendant and the defendant's "use" of the plaintiff's idea in breach of the parties' contract or confidence. However, the issue of "use" is often problematic in these cases. At what point does the defendant's creation of a work embodying creative elements that are similar to the plaintiff's idea cross the line so as to constitute a "use" of the plaintiff's idea?

This problem can be illustrated by a hypothetical. Assume that a few years ago, you had a chance encounter with the well-known director and producer Quentin Tarantino at Whole Foods. He stood behind you in the check-out line as you were buying a six-pack and he was purchasing organic arugula. Recognizing the famed film auteur, you turned to him and said ironically, "I've got a great idea for a movie." Surprisingly, with a smile, he gamely replied as if at a blackjack table, "Hit me!" Not expecting an encouraging response, you stumbled for a moment, but then you fortuitously glimpsed a headline in the store's newspaper rack, "Mas-

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termind of murderous cult dead."[1] So with a stutter you replied, "Charles Manson." Building confidence, you continued, "You should make a Charles Manson movie set in the 1960's, but maybe even defeating Manson at the end like Hitler in your *Inglorious Basterds*!" By this time the clerk has rung up your beers. As Tarantino appreciatively shakes his head, you walk away from the store convinced that you have the nous to be a Hollywood producer.

Flash forward to the present. While you have continued your habit of imbibing afternoon beers, Tarantino has written, produced, and released *Once Upon a Time in Hollywood*. The film is an alternate timeline comedy-drama telling the fictional story of Rick Dalton, a faltering actor portrayed by Leonardo DiCaprio, and his stunt double, Cliff Booth, who is played by Brad Pitt, as they navigate the last gasps of Hollywood's golden age in 1969. In the course of their fictional adventures, Dalton and Booth meet the real-life stars Bruce Lee and Sharon Tate and foil the plot by the murderous cult leader Charles Manson and his deranged followers to kill Tate and a group of her friends.

The release of Tarantino's film has thrown you for a loop. Like many people in Hollywood, you suffer from "that obsessive conviction, so common among authors and composers, that all similarities between their works and any others which appear later must inevitably be ascribed to plagiarism."[2] In light of this "obsessive conviction," a number of questions immediately spring into your mind. Has Tarantino stolen your idea to produce a Charles Manson film in which Manson's plans are defeated at the end? Could you prevail, or at least survive summary judgment, in an idea submission claim against Tarantino? What is the settlement value of your claim? Most importantly, can you leverage your claim into the Hollywood career that you had always envisioned?

The answers to these questions turn, at least in part (putting aside the problematic question of whether the phrase "hit me!" in these circumstances was sufficient to manifest Tarantino's consent to the formation of an implied-in-fact contract), on whether Tarantino "used" your idea. More specifically, is *Once Upon a Time in Hollywood substantially similar* to your concept such as to establish the use of your idea by Tarantino? This is an area of law that is not well delineated — especially in contrast to copyright law. Under the Copyright Act, a long line of authorities establishes that a claim of infringement can only be based on substantial similarities in original protectible *expression* after filtering out any alleged similarities based on factual materials, ideas (which are specifically ex-

[1] L.A. Times, Nov. 20, 2017 (headline).

[2] Litchfield v. Spielberg, 736 F.2d 1352, 1358 (9th Cir. 1984) (citation omitted).

cluded from copyright protection[3]), scenes-a-faire, and other unprotected elements.[4]

After consulting with your lawyer, you realize that your potential copyright infringement claim against Tarantino is meritless because copyright does not protect facts, such as the story of Charles Manson and his followers, or unfixed bare ideas, including your proposal for a film in which Manson is defeated. However, as discussed below, your potential idea submission claim against Tarantino might have more of a chance. After all, both your Charles Manson proposal and *Once Upon a Time in Hollywood* share similar *ideas*. Among other things, they are set in the same time and place, and use some of the same characters to tell a counterfactual version of the Manson family murders in which Manson's plot to kill Sharon Tate and her friends is defeated.

II. THE ELEMENTS OF A CALIFORNIA IDEA SUBMISSION CLAIM

There is no property right in an idea.[5] "Generally speaking, ideas are as *free as the air*. . . . The general rule of law is that *the noblest of human productions — knowledge, truths ascertained, conceptions and ideas — become, after voluntary communication to others, free as the air to common use.*"[6] Consequently, the law has developed that an idea is generally protected only if there exists an implied-in-fact contract or a relationship of confidence between a person who offers to disclose an otherwise unprotectible idea, and a willing recipient who agrees to the disclosure under conditions that he or she is specifically made aware of and accepts before the idea's disclosure.[7]

To prevail on an idea submission claim based on a breach of implied-in-fact contract theory, the plaintiff bears the burden of proof to establish: (1) plaintiff submitted his or her idea to defendant; (2) before submitting his or her idea, plaintiff conditioned the disclosure on defendant's agreement to pay for the idea if used; (3) defendant knew or should have known

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[3] 17 U.S.C. § 102(b) (2018).

[4] *See, e.g.*, Funky Films, Inc. v. Time Warner Entm't Co., L.P., 462 F.3d 1072, 1076-77 (9th Cir. 2006); Rice v. Fox Broad. Co., 330 F.3d 1170, 1172 (9th Cir. 2003); Cavalier v. Random House, Inc., 297 F.3d 815, 822 (9th Cir. 2002); Kouf v. Walt Disney Pictures & Television, 16 F.3d 1042, 1045 (9th Cir. 1994); Berkic v. Crichton, 761 F.2d 1289, 1292 (9th Cir.1985); *Litchfield*, 736 F.2d at 1156-57; Olson v. Nat'l Broad. Co., 855 F.2d 1446, 1450 (9th Cir. 1988).

[5] Spinner v. Am. Broad. Cos., Inc., 215 Cal. App. 4th 172, 184 (2013).

[6] Desny v. Wilder, 46 Cal. 2d 715, 731-32 (1956) (emphases added); *see* Rokos v. Peck, 182 Cal. App.3d 604, 613 (1986); 17 U.S.C. § 102(b) (2018) (ideas not protected by copyright).

[7] *Desny*, 46 Cal. 2d at 737-39; Faris v. Enberg, 97 Cal. App. 3d 309, 318-23 (1979).

about the condition before plaintiff disclosed the idea; (4) defendant voluntarily accepted the idea on plaintiff's terms; (5) defendant actually *used* plaintiff's idea; (6) plaintiff's idea had value.[8]

Under a breach of confidence theory, the plaintiff must prove: (1) that the plaintiff conveyed new and novel information to the defendant in confidence; (2) that both parties understood that the information was being conveyed in confidence before it was actually disclosed; (3) that before plaintiff gave the information to defendant, the defendant had a chance to reject receipt of the information on a confidential basis; (4) that the defendant accepted the information with the understanding that he or she would keep the information confidential; (5) that the defendant *used* the information without the plaintiff's consent; and (6) that the plaintiff was damaged as a result.[9]

Under *both* of these legal theories, proof of "use" — element (5) in each of the causes of action outlined above — is essential. Without a defendant's "use" of the plaintiff's idea in breach of an implied contract or a relationship of confidence, no violation of a plaintiff's rights can occur. Importantly, this issue of "use" itself has two separate prongs, and a plaintiff must satisfy both the first *and* second prongs to prevail. Initially, the plaintiff must prove "derivation" — that his or her idea was actually utilized and relied on in the defendant's creative process.[10] Second, the plaintiff must prove that the ideas contained in the defendant's finished work are "substantially similar" to the plaintiff's submission.[11] To survive

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[8] Benay v. Warner Bros. Entm't, Inc., 607 F.3d 620, 629 (9th Cir. 2010); Mann v. Columbia Pictures, Inc., 128 Cal. App. 3d 628, 647 n.6 (1982); *Faris*, 97 Cal. App. 3d at 318; Klekas v. EMI Films, Inc., 150 Cal. App. 3d 1102, 1114 (1984).

[9] Tele-Count Eng'rs, Inc. v. Pac. Tel. & Tel. Co., 168 Cal. App. 3d 455, 46 (1985); *see also Faris*, 97 Cal. App. 3d at 320-23.

[10] This is why independent creation is an absolute defense, regardless of the level of similarity between the parties' works. *See, e.g., Spinner*, 215 Cal. App. 4th at 185 ("Even when the plaintiffs raise an inference of use . . . the defendants may dispel that inference with evidence that conclusively demonstrates the defendants independently created their product."); Hollywood Screentest of Am. Inc. v. NBC Universal, 151 Cal. App. 4th 631, 648 (2007) ("Because [defendant] has presented undisputed evidence of independent creation, thus preventing a finding of *use*, none of [plaintiff's] causes of action can survive.") (emphasis added).

[11] As a result, even if the defendant uses the plaintiff's work as a template or inspiration, there is no cause of action if the defendant makes sufficient modifications to render the works ultimately dissimilar. *See, e.g., Benay*, 607 F.3d at 631 ("the weight of California authority is that there must be 'substantial similarity' between plaintiff's idea and defendant's production to render defendant liable.") (citations omitted); Kurlan v. Columbia Broad. Sys., 40 Cal. 2d 799, 809 (1953) (holding that the works at issue must share "some substantial similarity" to create a jury issue); Stanley v. Columbia Broad. Sys., 35 Cal. 2d 653, 660 (1950); *Klekas*, 150 Cal. App. 3d at 1114; Donahue v. United Artists Corp., 2 Cal. App. 3d 794, 807-08 n.5 (1969) (approving jury instruction requiring plaintiff to show that defen-

summary judgment, a plaintiff must raise genuine issues for trial under *both* prongs because neither an independently-derived duplicate[12] nor a work inspired by the plaintiff's submission that nonetheless lacks any "substantial similarity" with plaintiff's creation[13] constitutes "use" of the plaintiff's idea.

This "substantial similarity" requirement in idea submission cases has been said to "align[ ] this field with copyright infringement" and "[i]t also means that copying less than substantial material is non-actionable."[14] In order to make such a "substantial similarity" showing, a plaintiff must demonstrate that the *ideas* contained in the works at issue are substantially similar as to specific identifiable elements, such as characters, settings, subject matter, themes, storyline, sequence of events, dramatic gimmicks, and plot ideas.[15] This comparison of the ideas contained in two works to determine whether a jury issue exists as to "substantial similarity" can

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dant used "substantial portion" of plaintiff's submission); Henried v. Four Star Television, 266 Cal. App. 2d 435, 437 (1968); Sutton v. Walt Disney Prods., 118 Cal. App. 2d 598, 603 (1953); *see also* Whitfield v. Lear, 751 F.2d 90, 93-94 (2d Cir. 1984) (applying California law); A Slice of Pie Productions, LLC v. Wayans Brothers Entm't, 487 F. Supp. 2d 41, 52 (D. Conn. 2007) (applying California law). Under circumstances where the parties have contractually agreed to a different standard than substantial similarity, however, the contract will be enforced by the courts – for example, if compensation is due when one work is "based on" another work regardless of substantial similarity. *See* Weitzenkorn v. Lesser, 40 Cal. 2d 778, 792 (1953) (noting that an express contract in which the defendants agreed to pay for the plaintiff's submission "no matter how slight or commonplace the portion which they used" was "conceivable, even though improbable. . . ."); *see also* note 104, infra.

12 *Hollywood Screentest*, 151 Cal. App. 4th at 648.

13 *Kurlan*, 40 Cal. 2d at 809.

14 4 MELVILLE NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 19D.08[A], at 19D-98 (emphases added); *accord* Lionel S. Sobel, *The Law of Ideas Revisited*, 1 UCLA ENTM'T L. REV. 9, 77 (1994) ("[t]he weight of California authority is that there must be 'substantial similarity' between the plaintiff's submission and the defendant's production in order for the defendant to be liable").

15 *See, e.g.*, *Desny*, 46 Cal. 2d at 746-49 (reversing summary judgment for defendants where the works shared numerous common elements, including similar storylines, settings, characters, sequences of events); Donahue v. Ziv Television Programs, Inc., 245 Cal. App. 2d 593, 601 (1966) (finding "enough similarities in basic plot ideas, themes, sequences and dramatic 'gimmicks'" to create a jury issue); *Henried*, 266 Cal. App. 2d at 436-37 (affirming order sustaining demurrer because, after comparing characters, themes and storylines, only a single similarity could be found — which is "grossly inadequate to sustain a claim of substantial similarity"); *A Slice of Pie*, 487 F. Supp. 2d at 52 (granting summary judgment after assessing "[the] lack of substantial similarity between the works with respect to, *inter alia*, their respective plots, elements and themes").

often be conducted by the court as a matter of law.[16] However, the fact that "substantial similarity" is a required element in idea submission claims in no way answers the ultimate question of how *much* similarity is necessary for it to be *substantial.* To put it another way, in the context of our hypothetical, is Tarantino's *Once Upon a Time in Hollywood substantially* similar to your "Charles Manson" idea? A review of the idea submission cases in which the substantial similarity requirement was developed may assist this inquiry.

III. THE CASE LAW ADDRESSING SUBSTANTIAL SIMILARITY IN IDEA CASES

One of the first cases considering the degree of similarity required to maintain an idea submission claim was the California Supreme Court's 1950 decision in *Stanley v. Columbia Broadcasting System, Inc.*[17] In *Stanley*, the plaintiff had prevailed at trial on claims for breach of express and implied contract pertaining to the sale of an idea for a proposed radio show entitled *Hollywood Preview*, in which motion picture executives would describe proposed ideas for movie productions, which would be commented on by a board of experts, and the at-home audience was encouraged to submit written comments. The defendant, after receiving plaintiff's proposed script, format, and demo recording, had launched a similar radio show also entitled *Hollywood Preview*. However, the defendant's program had a somewhat different format. Unlike plaintiff's proposed show, defendant's production lacked experts who evaluated the potential movie productions and only the studio audience was asked to submit written comments. Citing these differences, on appeal the defendant contended that the parties' respective radio shows were not sufficiently similar as a matter of law. The Supreme Court rejected this argument, strongly suggesting that the issue of similarity is generally a jury question:

> The problem of similarity between two compositions, whether literary, musical or dramatic, is a *question of fact* to be determined ultimately by a comparison of the two works upon the basis of *the opinion of the average individual* possessing a practical understanding of the subject.[18]

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[16] *See Klekas*, 150 Cal. App. 3d at 1114 (affirming summary judgment); *Kurlan*, 40 Cal. 2d at 809 (holding on demurrer, where the works are before the court, "the court may determine whether there is substantial similarity"); *Henried*, 266 Cal. App. 2d at 436-37 (affirming order sustaining demurrer); *Sutton*, 118 Cal. App. 2d at 603-04 (same); *A Slice of Pie*, 487 F. Supp. 2d at 52 (granting summary judgment).

[17] *Columbia Broad. Sys., Inc.*, 35 Cal. 2d at 660.

[18] *Id.* (emphases added).

Applying this standard, the court concluded that the jury's verdict for plaintiff reflected the opinions of an "average, reasonable man" and deserved deference.[19] Despite the format differences between the parties' works, the court affirmed the judgment — holding that "[t]he evidence, in the form of the two programs alone, shows that there is substantial similarity to support the verdict."[20]

Three years later, the California Supreme Court issued companion decisions likewise addressing the issue of substantial similarity in the context of idea submission cases — *Weitzenkorn v. Lesser*[21] and *Kurlan v. Columbia Broadcasting System, Inc.*[22] In *Weitzenkorn*, both the plaintiff's written synopsis entitled *Tarzan in the Land of Eternal Youth* and the defendants' motion picture *Tarzan's Magic Fountain* featured the well-known fictional character Tarzan and his cohorts, Jane and Cheeta, as well as the myth of the fountain of youth. The trial court had held that the parties' works — which had been incorporated by reference into plaintiff's complaint and thus were subject to judicial review on demurrer — were not sufficiently similar. Accordingly, the trial court had sustained the defendants' demurrer to plaintiff's common law copyright,[23] express contract, and implied contract claims counts without leave to amend. On appeal, the Supreme Court held that the demurrer had been properly sustained as to the common law copyright claim because the parties' works were not similar in original *protectible* expression.[24] However, the court reversed the judgment for defendant on plaintiff's breach of express and implied contract causes of action because of the similarities in *unprotectable* elements, such as "the combination of characters, locale, and myth."[25] The court further held that it was "conceivable" that the parties entered into an agreement in which the defendants "agreed to pay for [plaintiff's] production regardless of its protectibility and *no matter how slight or commonplace the portion which they used.*"[26]

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19 *Id.* at 662.

20 *Id.* at 663.

21 40 Cal. 2d 778 (1953).

22 40 Cal. 2d 799 (1953).

23 Because *Weitzenkorn* and many of the other cases cited in this paper were decided under the law in effect before January 1, 1978, the effective date of the Copyright Act of 1976, there was no federal preemption of copyright claims under 17 U.S.C. § 301 and thus common law copyright infringement and plagiarism claims could be asserted in state court without concern for Copyright Act preemption.

24 40 Cal. 2d at 791 ("[a] careful comparison of [plaintiff's] composition and the motion picture shows no similarity between them as to form and manner of expression [although] [i]t is true that a portion of the 'basic dramatic core' might be found similar").

25 *Id.* at 792.

26 *Id.* (emphasis added).

In *Kurlan*, the plaintiff alleged the theft of his idea to create a radio program adaptation of the popular stage play and motion picture *My Sister Eileen*, a comedy concerning two sisters (one smart, the other not) sharing an apartment in New York. The trial court, as in *Weitzenkorn*, had sustained the defendants' demurrer to, among other causes of action, plaintiff's breach of express and implied contract counts after comparing the parties' works (which had been incorporated by reference in plaintiff's complaint) and finding that they were not sufficiently similar. The Supreme Court reversed the judgment entered by the trial court, as in *Weitzenkorn*, holding that:

> [A]lthough there is *no* similarity between protectible portions of the literary content of [plaintiff's] program and the defendants' broadcasts, *there is the possibility of finding some similarity in the use by each production of a 'dumb' character who produces difficult situations for a 'smart' character, both being girls who share an apartment in New York City.*[27]

Thus, echoing its companion decision in *Weitzenkorn*, the court concluded that: "The terms of the contract and the content of the programs present questions of fact for the jury as to the contractual provisions, access, similarity, and copying."[28]

In the same year that *Weitzenkorn* and *Kurlan* were decided, the Court of Appeals decision in *Sutton v. Walt Disney Productions* adopted a somewhat more stringent approach to evaluating the "use" of an idea.[29] In *Sutton*, the plaintiff had authored a book entitled *Circus in Nightland* — a fantasy featuring a child named Nancy who cannot attend the circus because of a foot injury. After hearing a friend describe the circus, Nancy dreams of being escorted into the woods by a fairy to attend a "nightland circus" — which is performed by a group of small animals "endowed with intellectual attributes."[30] In contrast, the defendant's work was a live action nature documentary featuring wildlife common in Minnesota and Montana.[31] The trial court had sustained defendant's demurrer without leave to amend on the grounds that the works lacked substantial similarity, and the Court of Appeals affirmed, holding that:

> A comparison of the two works *leaves no suspicion that the film is a reproduction of the book.* The only ground of similarity is that both relate to animals. The book is a fantasy of animals, reptiles, amphibians and insects endowed with intellectual attributes; the film is a real-life portrayal of animals in the wilds with no particular order or story except the loose thread of a young beaver's adventures in establishing his own dam.

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27 40 Cal. 2d. at 810 (emphases added).

28 *Id.*

29 Sutton v. Walt Disney Prods., 118 Cal. App. 2d 598 (1953).

30 *Id.* at 600, 603.

31 *Id.* at 603.

> Accordingly, the holding of the trial court that the two finished products have no substantial similarity to each other . . . was correct.[32]

The court concluded that "the lack of substantial similarity between the book and the motion picture precludes appellant from stating a cause of action whether specifically pleaded as an express contract or generally as an implied-in-fact contract."[33]

In 1956, three years after *Weitzenkorn*, *Kurlan*, and *Sutton*, the California Supreme Court issued its seminal decision in *Desny v. Wilder*, an ambitious attempt to clarify the law of implied-in-fact contracts for the use of ideas.[34] The plaintiff's idea in *Desny* was based on a dramatization of the real life story of a man whose entrapment in a cave briefly grabbed national attention.[35] The plaintiff conveyed his idea for a motion picture based on this story to an assistant working for defendant Billy Wilder, the famous director, in two telephone conversations. In the first phone call with Wilder's assistant, plaintiff "blurted" the basic outline of his idea; however, during the second phone call he first conditioned his verbal disclosure of a detailed written synopsis on payment.[36] Of course, Billy Wilder later produced the film *Ace in the Hole*, starring Kirk Douglas as an unscrupulous reporter who turns the story of a treasure hunter trapped in a mineshaft into a national media sensation. Although the trial court had granted summary judgment for defendants, the California Supreme Court reversed in part — ruling that plaintiff's claim for breach of implied-in-fact contract raised triable issues for the jury based on the plaintiff's second submission to Wilder's assistant. Although the court did not detail any specific test or criteria for determining "substantial similarity," it ruled that a triable issue existed as to this issue, holding that defendants' motion picture "obviously does bear a remarkable similarity to plaintiff's story both in respect to the historical data and the fictional material originated by plaintiff."[37] The court also strongly emphasized that under California

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[32] *Id.* at 602 (emphasis added).

[33] *Id.* at 603.

[34] 46 Cal. 2d 715, 733 (1956) (distinguishing *Stanley*, which held that the plaintiff's idea must be original or novel).

[35] *Id.* at 746-48.

[36] As a general matter, a person who "blurts" his or her idea before an implied contract is formed loses any claim for relief. *Desny*, 46 Cal. 2d at 739 ("The idea man who blurts out his idea without having first made his bargain has no one but himself to blame for the loss of his bargaining power."); *see also* Ousley v. Krasnow, No. B222726, 2011 WL 2936771 (Cal. Ct. App. July 19, 2011). This is because, absent contract protection, ideas are generally "free as the air." *Desny*, 46 Cal. 2d. at 731. In *Desny*, the California Supreme Court held it was a jury question as to whether defendants merely used the blurted idea in the first call or breached an implied contract arising during the plaintiff's disclosure of his more detailed synopsis during the second phone call. *Id.* at 739.

[37] *Desny*, 46 Cal. 2d at 749.

law ideas are generally "free as the air" unless they are disclosed pursuant to a contract under which the recipient of the idea had an opportunity to reject the submission prior to disclosure with knowledge of the offeror's terms.[38]

In 1966, a decade after *Desny*, the Court of Appeals addressed the substantial similarity issue again in *Donahue v. Ziv Television Programs, Inc.*[39] The court in *Donahue* reversed the trial court's entry of judgment notwithstanding the verdict in favor of the defendants, holding that a triable issue existed on the issue of substantial similarity. In *Donahue*, the plaintiff's submission, which consisted of a written format, twelve story outlines, one screenplay, and a production budget for a proposed TV show entitled *Underwater Legion*, and the defendants' program, *Sea Hunt*, both featured scuba-diving crime fighters.[40] The *Donahue* court held that a breach of contract claim, unlike a copyright claim, could be maintained for the use of unoriginal creative elements, and that a jury could "easily" find the two works were "quite similar."[41] Without exhausting the list of similarities,[42] or outlining any criteria, methodology, or test for determining substantial similarity, the court ruled that both works featured "[a] strong similarity in the basic dramatic core," "[s]imilarities in basic theme and dramatic situations," "similarities in basic plot ideas, themes, sequences and dramatic gimmicks," and similarities in "the use of various types of equipment for operating under water [and] the extensive use of underwater photography." Indeed, the court noted that "[t]he list of differences is shorter than that of the similarities," and ultimately concluded that "Defendants' television series follows the [plaintiff's] format in most of its important facets . . . ."[43]

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38 *Id.* at 731-32; *see also supra* note 6 and accompanying text.

39 Donahue v. Ziv Television Programs, Inc., 245 Cal. App. 2d 593 (1966).

40 *Id.* at 599-601. In *Donahue*, the plaintiff submitted a "format in written form, together with twelve story outlines, one screenplay and a proposed budget." *Id.* at 597.

41 *Id.* at 600-02.

42 *Id.* at 601 ("Only length, but little else, would be added to this opinion were we to set down in detail what these similarities are. Those concerned know what we refer to.").

43 *Id.* at 600-01. Ironically, the case law holds that *Sea Hunt* was stolen twice, from two separate sources. A few years after the decision in *Donahue* reversed the trial court's grant of JNOV for defendants, in Minniear v. Tors, 266 Cal. App. 2d 495 (1968), a case citing and relying on *Donahue*, the Court of Appeals affirmed the trial court's judgment that someone else, i.e., the plaintiff in *Minniear* rather than the plaintiff in *Donahue*, had conceived the idea for *Sea Hunt*. *Minniear*, 266 Cal. App. 2d at 505 (holding "there are enough similarities in the basic plot ideas, themes, sequences and dramatic 'gimmicks' between Sea Divers and Sea Hunt for a jury to infer that appellant's ideas and format were the inspiration for Sea Hunt and respondent . . . in fact, used appellant's ideas and format."). Thereafter, the

One year later, however, the Court of Appeals in *Ware v. Columbia Broadcasting System, Inc.*[44] adopted a more rigorous approach to the determination of substantial similarity — adopting a copyright-like standard under the facts of that case. In *Ware*, the plaintiff submitted a thirty-five-page teleplay to defendants, who thereafter produced an allegedly similar work as an episode of the TV series *Twilight Zone* without crediting plaintiff. The plaintiff sued defendants for common law copyright infringement and breach of implied contract. The trial court granted defendants' motion for summary judgment and the Court of Appeals affirmed. The *Ware* court first dispensed of the common law copyright infringement claim by holding that the two works lacked substantial similarity in protectable expression. The plaintiff's teleplay featured a gentle old man who worked as a night watchman at a department store. The man is depicted befriending and conversing with the store mannequins. Eventually, when the man's body is found dead, a mannequin closely resembling him mysteriously is placed with the mannequins that the man had befriended. In contrast, the defendants' *Twilight Zone* episode featured a bitter thirty-five-year-old man who, while visiting a museum, views a glass display case containing a miniature model of a 1890's town house that is inhabited by the figurine of a beautiful miniature woman — who appears alive to the man. After he sees the woman being assaulted, the man breaks the glass case, is forcibly removed from the museum, and is forced to seek mental health treatment. The *Twilight Zone* episode ends when a museum guard sees a miniature figurine of the man seated next to the miniature woman within the display case. The *Ware* court noted that the two works shared only a common theme — a man who "finds happiness with an inanimate figure, whom he treats as a real person" — that is as at least as old as ancient Greek myths. The court noted that the "characterizations, character relationships, scenes, incidents and dialogue are all markedly different."[45] Thus, the court affirmed the dismissal of the plaintiff's common law copyright claim, concluding that there was no substantial similarity between the *Twilight Zone* episode and the protectable elements of the plaintiff's teleplay.[46]

The court in *Ware* also granted summary judgment on plaintiff's breach of implied contract claim on the same grounds — i.e., lack of sub-

claims in *Donahue* were retried (apparently without the plaintiff in *Minniear* testifying for defendants), and a jury again returned a verdict for plaintiff. Donahue v. United Artists Corp. ("*Donahue II*"), 2 Cal. App. 3d 794 (1969). On appeal, it was held that substantial evidence supported the jury's finding that plaintiff's work had been used in "substantial portion" to create *Sea Hunt*. *Donahue II*, 2 Cal. App. 3d at 806-08 & n.5.

[44] Ware v. Columbia Broad. Sys., Inc., 253 Cal. App. 2d 489 (1967).

[45] *Id.* at 492.

[46] *Id.* at 493-94.

stantial similarity between the works. The court noted that plaintiff's complaint alleged the breach of an implied agreement pertaining to the use of not mere ideas, but "literary property." The complaint alleged that the defendants agreed to compensate plaintiff should they use this "literary property," and that the defendants' *Twilight Zone* episode constituted such use. The *Ware* court found that this fact distinguished the case from *Desny*, which involved the alleged use of only "ideas":

> The record here is significantly different from the *Desny* record. Plaintiff here attached to his complaint not a mere synopsis but *a complete dramatic work*. The complaint alleges that he submitted it to defendants "with the express oral understanding and agreement that in the event plaintiff's said literary property was thereafter used or telecast by said defendants, or any of them, in whole or in part, defendants would pay plaintiff the reasonable value of such use or telecast." Each of the other contract counts alleges similarly that the matter offered was plaintiff's "literary property." *Plaintiff does not allege that the parties contracted with respect to any idea, synopsis, or format. Literary property is what plaintiff had for sale; that is what he submitted to defendants, and that is the subject matter of his complaint.* The consistent use of the term "literary property" in the complaint does not appear to have been an inadvertence of the pleader. There is nothing in the record to suggest that plaintiff was, like *Desny*, offering to sell a public domain story idea.[47]

The court in *Ware* concluded that when a breach of implied contract claim is predicated on the submission of such "literary property," a copyright-like standard must be applied in determining the issue of substantial similarity:

> *It would have been fatuous for plaintiff to have alleged that when his story was submitted defendants agreed, by implication, to pay him if they ever in the future made a picture embodying any stock situation which plaintiff had drawn upon in constructing his play.* Plaintiff has not so alleged, and we therefore need not decide whether such a claim could be maintained under the *Desny* rationale.[48]

Accordingly, the Court of Appeals affirmed summary judgment on the breach of implied contract claim, holding that "plaintiff submitted *literary property* to defendants, but an examination of the plaintiff's work and the defendants' telecast establishes as a matter of law that defendants did not use plaintiff's *property*."[49] In fact, however, this holding was somewhat disingenuous. The complaint filed by the plaintiff in *Ware* actually alleged that defendants had breached an implied contract concerning the use of the plaintiff's literary property "in whole *or in part*," which also put at issue the *ideas* in his teleplay.[50]

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[47] *Id.* at 494-95 (emphases added).
[48] *Id.* (emphases added).
[49] *Id.* at 495-96 (emphases added).
[50] *Id.* at 494 (emphasis added).

The copyright-like approach to substantial similarity in *Ware* was seemingly extended by the Court of Appeals holding in *Henried v. Four Star Television*,[51] decided the following year. In *Henried*, the plaintiff alleged that he had entered into an implied contract with the defendant arising from his submission of a seven-page synopsis for a proposed TV program to be entitled *The Two Manhattans*. The complaint alleged that this implied contract was breached when the defendant subsequently produced a television series, entitled *Burke's Law*, based on the synopsis. Plaintiff's *The Two Manhattans* turned on the adventures of a wealthy father-son international crime-fighting duo. The defendant's show *Burke's Law* featured a wealthy bachelor homicide detective. Although both works featured rich crime fighters, the trial court sustained defendant's demurrer on the grounds that the two works were not substantially similar and the Court of Appeal affirmed:

> The only point of similarity, a point to which plaintiff desperately clings, is that both heroes travel in chauffer-driven Rolls Royces. In this respect art imitates life, and follows the tracks of Ian Fleming and countless others who, after coming into money, favored the same automobile manufacturer with their patronage. *But a resemblance based solely on the use of a well-publicized, even bromidic, symbol for wealth and luxury seems grossly inadequate to sustain a claim of substantial or material similarity between elements of the two properties.*[52]

In other words, the court's holding in *Henried* is to the effect that wealthy crime fighters driving about in chauffeured Rolls Royces is a stock element that cannot be protected under an implied contract. As such, the decision echoes *Ware* without citing that case.

However, in *Fink v.Goodson-Todman Enterprises, Ltd.*,[53] two years later, the Court of Appeals chose to follow a more relaxed standard for determining substantial similarity in reversing the trial court's order sustaining defendants' demurrer without leave to amend. In *Fink*, the plaintiff had submitted to defendants various materials pertaining to a proposed TV show to be entitled *The Coward*, including a full script for the pilot episode and a detailed written presentation that included plot summaries of fifteen episodes. *The Coward* told the story of a brave 1960's New York police officer who is driven to court danger by the shame of his service as an army officer during WWII, when he was court-martialed for surrendering, in violation of his orders, in a futile effort to save the men under his command. Plaintiff alleged that his implied contract with defendants had been breached by their production of *Branded* — a TV show concerning a brave itinerant cowhand in the American West of

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[51] 266 Cal. App. 2d 435, 436 (1968).
[52] 266 Cal. App. 2d at 437 (emphasis added).
[53] 9 Cal. App. 3d 996 (1970).

the 1850's who is motivated by the public disgrace of his prior service as an army officer at a time when U.S. troops were battling American Indians, when he was wrongfully court-martialed for supposedly fleeing the field of battle. Based on the "structural spine" of the two stories, the Court of Appeals held that the plaintiff had stated a viable cause of action for breach of implied contract in light of the similarities in the themes, back stories, and portrayal devices to be utilized in the two works — despite the pervasive differences in the characters, settings, time periods, and other concrete expressive elements of the works.[54] Interestingly, the court candidly acknowledged that determining substantial similarity in idea submission cases is a "zig-zag frontier" in which "[d]ecisions must . . . inevitably be *ad hoc*."[55]

That same year, in *Blaustein v. Burton*,[56] the Court of Appeals reversed the trial court's grant of summary judgment for defendants in a case involving the idea to film a motion picture version of Shakespeare's play *The Taming of the Shrew* starring the actors Richard Burton and Elizabeth Taylor, and directed by Franco Zeffirelli, a stage director who was well known for his staging of *Romeo and Juliet*. Plaintiff alleged that he had submitted to defendants not only the idea to film Shakespeare's play with Burton, Taylor, and Zeffirelli, but that he had also proposed the additional ideas of eliminating the play-within-a-play device used by Shakespeare, filming the movie in Italy, and including in the film two scenes that in Shakespeare's play occur offstage and are only described by the characters.[57] The court concluded that such relatively obvious concepts for adapting a film from a preexisting public domain stage play can nonetheless be protected by implied-in-fact contracts:

> The producer and the writer should be free to make any contract they desire to make with reference to the buying of the ideas of the writer; *the fact that the producer may later determine, with a little thinking, that he*

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[54] The Court in *Fink* essentially cherry-picked the similarities between the works at a high level of abstraction, not merely ignoring the differences between the works, but citing them as possible evidence of the defendants' alleged culpability — holding that "the variations are such as might be deliberately contrived to disguise piracy." *Fink*, 9 Cal. App. 3d at 1012. However, a more appropriate approach to such variations would have been that "[c]opying deleted or so disguised as to be unrecognizable is not copying." See v. Durang, 711 F.2d 141, 142 (9th Cir. 1983). Additionally, the result in *Fink* might be explained by the fact that the plaintiff alleged an oral contract under which he supposedly was owed compensation by defendants if they created a series "based on Plaintiff's [proposed] Program *or any material element contained in [it]*" (*Fink*, 9 Cal. App. 3d at 1002 (emphasis added)) – a seemingly lower standard than substantial similarity in the usual case where the parties' alleged contract is not express but implied-in-fact.

[55] 9 Cal. App. 3d at 1013 (citations omitted).

[56] Blaustein v. Burton, 9 Cal. App. 3d 161 (1970).

[57] *Id.* at 167.

> *could have had the same ideas and could thereby have saved considerable money for himself, is no defense against the claim of the writer.* This is so even though the material to be purchased is abstract and unprotected material.[58]

In reversing the summary judgment entered for defendants, the Court of Appeals held that "[t]he motion picture as completed utilizes the . . . ideas disclosed by [plaintiff] to [defendants]. . . ."[59] The court further held that the issue of *when* a use of plaintiff's idea triggering an obligation to pay arose (for example, when the preliminary script was written or when the completed film was released to the public), thus causing accrual of the statute of limitations, was to be determined by the jury based on "the manifested intent of the parties."[60]

Subsequently, however, the Court of Appeals in *Klekas v. EMI Films, Inc.* followed the approach of *Ware* and *Henreid*, rather than the approach in *Donohue*, *Fink*, and *Blaustein*, in affirming the trial court's grant of summary judgment for defendants.[61] In *Klekas*, the plaintiff had claimed that the motion picture *The Deer Hunter* had infringed plaintiff's common law copyright and had copied plaintiff's ideas in breach of an implied contract. The plaintiff in *Klekas*, like the plaintiff in *Ware*, claimed that he had submitted literary property to the defendants — specifically, a novel entitled *The Fields of Discontent*. Both the plaintiff's novel and the defendants' motion picture concerned military veterans who returned to the U.S. following their tours of duty overseas and "both works deal generally with the subjects of friendship, courage, honor and the effects of war on the human spirit."[62] Nonetheless, the trial court granted summary judgment for defendants, finding that there had been no use of *The Fields of Discontent* in the creation of *The Deer Hunter*. The Court of Appeals affirmed, holding that "[a]fter a thorough review of both literary works, we can only conclude that there are substantial differences between them, especially in the use of contexts, characters and language through which the themes are expressed."[63] Citing *Ware*, the court in *Klekas* concluded that the undisputed evidence established that "the screenplay of 'The Deer Hunter,' is, as a matter of law, substantially *dissimilar* to plaintiff's novel," establishing as a matter of law that "there is nothing in the record to estab-

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[58] *Id.* at 183 (quoting Chandler v. Roach, 156 Cal. App. 2d 435, 442 (1957)) (emphasis added).

[59] *Id.* at 172.

[60] *Id.* at 186. Of course, this begs the question as to how such intent could have been "manifested" when the contract at issue was merely implied-in-fact from conduct.

[61] 150 Cal. App. 3d 1102, 1114 (1984).

[62] *Id.* at 1112-13.

[63] *Id.* at 1113.

lish the use of [plaintiff's] work."[64] In other words, general stock similarities inherent in themes of war and its aftermath were insufficient to establish *substantial* similarity of ideas.

Similarly, in *A Slice of Pie v. Wayans Brothers Entertainment*, the District Court of Connecticut, applying California law, held that the plaintiff failed to raise a triable issue as to substantial similarity on either its copyright infringement or its state law breach of implied contract claims.[65] In *A Slice of Pie* the plaintiff claimed that the defendant's motion picture *White Chicks* was based on plaintiff's screenplay *Johnny Bronx*. Both works involved African American law enforcement officers who disguised themselves as Caucasians to go undercover and foil a crime. The court first granted summary judgment on the copyright infringement claim, holding that, after reviewing the expressive elements of each work, "the premise, plot and scenes depicted in each work is so dissimilar that no reasonable juror could find them to be substantially similar to support a conclusion of unlawful appropriation."[66] The court likewise granted summary judgment on plaintiff's implied contract claim, following the same reasoning adopted in *Ware*, *Henried*, and *Klekas* in ruling that:

> [G]iven the Court's assessment of *lack of substantial similarity between the works with respect to, inter alia, their respective plots, elements, and themes* [in affirming summary judgment as to the copyright count], which assessment is used to infer *use*, plaintiff has *insufficient evidence of use by defendants of plaintiff's screenplay and/or the ideas therein.*[67]

In 2008, the California Court of Appeal issued its unpublished decision[68] in *Reginald v. New Line Cinema Corp.*,[69] which also applied a high standard for determining substantial similarity.[70] In *Reginald*, the plaintiff alleged that defendants' movie, *Wedding Crashers*, was based on his unpublished work, *The Party Crasher's Handbook*, which he had submitted to defendants. The trial court granted summary judgment on the grounds that no triable issue existed as to substantial similarity and the Court of Appeal affirmed. On appeal, the court surveyed the pertinent cases, including the *Weitzenkorn*, *Desny*, *Donahue*, *Klekas*, and *Henried* decisions, and concluded that "the degree of similarity required to meet the substan-

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64 *Id.* at 1115.

65 487 F. Supp. 2d 41 (D. Conn. 2007).

66 *Id.* at 50-51.

67 *Id.* at 52 (emphases added).

68 In California state court, such unpublished appellate decisions cannot be cited. *See* CAL. R. CT., 8.1105, 8.1110, 8.1115. Nonetheless, in the context of this article, discussion of a few unpublished California appellate opinions seems helpful if only to illustrate how the Courts are struggling with the issue of substantial similarity in these kinds of cases.

69 No. B190025, 2008 WL 588932 (Cal. Ct. App. Mar. 5, 2008).

70 *Id.* at *4 n.5, *8 n.7.

tial similarity standard is high in the idea submission context."[71] The court held that substantial similarity requires the plaintiff to establish that the defendant based his or her work "on a *material* element" of plaintiff's work[72] using a standard similar to that used in copyright cases save that, in contract cases, unprotectable elements are not filtered out prior to comparing the works.[73] Although the plaintiff had identified fourteen purported similarities between the parties' works, including the titles, the "basic storyline," and the fact that both works featured a male duo who crash weddings to meet women,[74] the court held that none of the similarities pertained to "material elements" — e.g., "characters, character motivations, settings, basic dramatic core and themes, storylines, plot ideas, the dramatic sequence and dramatic gimmicks"[75] — because they "would be common to any two works that included a wedding crashing sequence."[76] The court ruled, as a matter of law, that the two works were not substantially similar and affirmed the entry of summary judgment.[77]

Two years later, however, in *Benay v. Warner Bros.*,[78] the Ninth Circuit ignored *A Slice of Pie*, *Klekas*, and *Henried*, and distinguished *Ware*, in holding the fact that the works "are not substantially similar for purposes of copyright infringement does not preclude a finding of substantial similarity for purposes of an implied-in-fact contract under California law."[79] The works at issue in *Benay*, i.e., the screenplay submitted by plaintiffs and the motion picture ultimately produced by defendants, shared the same title, *The Last Samurai*, and each concerned an American war veteran who travels to Japan at the time of the Satsuma Rebellion of 1877 where he meets the Emperor, trains the Imperial Army in modern warfare, fights against the samurai, and in the end is spiritually restored. In affirming summary judgment for defendants on the plaintiff's copyright infringement claim, the Ninth Circuit held that these similarities were insufficient to raise a jury issue as to possible copyright infringement, ruling that:

> A number of similarities between the works arise out of the fact that both works are based on the same historical events, take place at the same time and in the same country, and share similar themes. These similarities are largely between *unprotected elements* — historical facts, charac-

[71] *Id.* at *5.
[72] *Id.* at *6 (quoting *Fink*, 9 Cal. App. 3d at 1007 (emphasis in *Reginald*)).
[73] *Id.* at *8 n.7.
[74] *Id.* at *6-7.
[75] *Id.* at *7.
[76] *Id.* at *8.
[77] *Id.* at *9.
[78] 607 F.3d 620, 631 (9th Cir. 2010).
[79] *Id.* at 631.

teristics that flow naturally from their shared premise, and scenes-a-faire.[80]

However, the Ninth Circuit in *Benay* reached the opposite conclusion as to plaintiff's idea submission claim, reversing the trial court's grant of summary judgment for defendants despite holding that "[t]he requirement of substantial similarity for implied-in-fact contract claims 'aligns this field with copyright infringement . . . . [and] also means that copying less than substantial material is non-actionable.'"[81] The court reexamined the exact same unprotected elements that it held insufficient to support the copyright claim — e.g., "an embittered American war veteran who travels to Japan where he meets the Emperor, trains the Imperial Army . . . [and], fights against the samurai. . ."[82] — but held them sufficient to raise genuine issues for trial on plaintiff's idea submission claim "because [when] the claim is based in contract, unauthorized use can be shown by substantially similar elements that are not protected under copyright law."[83] In reaching this conclusion, the Ninth Circuit distinguished *Ware* on the grounds that the plaintiff in that case alleged the breach of an implied contract for the use of "literary property" instead of merely averring that defendants had breached an implied contract for the use of "ideas."[84] However, this was a seemingly disingenuous distinction since the plaintiffs in *Benay* had submitted a full screenplay to defendants — i.e., "literary property" — and contended that "important aspects of the Film were copied from the Screenplay."[85]

A few years later, however, in *Ryder v. Lightstorm*,[86] the California Court of Appeals side-stepped the approach taken by the Ninth Circuit in *Benay*, and instead followed in the footsteps of *A Slice of Pie*, *Klekas*, *Henried*, and *Ware* in affirming the trial court's grant of summary judgment for defendants. In *Ryder*, the plaintiff had authored a science fiction short story entitled *KRZ 2068* ("*KRZ*") inspired by Joseph Conrad's classic novel *Heart of Darkness*. According to plaintiff, James Cameron's film *Avatar* copied plaintiff's ideas from *KRZ* without authorization. However, several years before allegedly having access to *KRZ*, the creators of

[80] *Id.* at 629 (emphasis added). Of course, copyright infringement claims must be supported by substantial similarities in original, copyright-protected expression.
[81] *Id.* at 631.
[82] *Id.* at 632.
[83] *Id.* at 631.
[84] *Id.* at 631-32.
[85] *Id.* at 623. Moreover, while it is correct that the plaintiff in *Ware* alleged the wrongful use of his "literary property," his pleading actually averred that defendants had breached an implied contract concerning any use of his literary property "in whole *or in part*," which certainly put at issue the *ideas* within his teleplay. *Ware*, 253 Cal. App. 2d at 494 (emphasis added).
[86] Ryder v. Lightstorm Entm't, Inc., 246 Cal. App. 4th 1064 (2016).

Avatar had written a detailed 102-page "scriptment" — i.e., a "highly detailed script-length treatment that . . . was in a narrative rather than dialogue form, and laid out the story, characters, setting and many of the visual images for Avatar in great detail."[87] Thus, in evaluating substantial similarity, the court held that it must first "'filter out' those preexisting elements [from the scriptment]" because they could not have been copied from *KRZ*.[88] The court then examined twelve remaining elements that plaintiff alleged were later added to "Avatar" by defendants, supposedly based on *KRZ*, *after* the scriptment had been completed. These twelve "similarities" were described by plaintiff in abstract generalities, including, for example: "The protagonist is enlisted as a spy by the corporation."; "The protagonist survives a life-threatening situation by escaping into a rushing torrent of water."; and "The corporation depends on the spy to facilitate the continued mining."[89] However, the court did not accept these generalized purported "similarities" at face value as the Ninth Circuit did in *Benay*. Instead, the Court of Appeals, much like a federal court analyzing substantial similarity in a copyright infringement case,[90] dissected the specific expressive details of each purported "similarity" to rule that the twelve points of alleged similarity relied on by plaintiff, as a matter of law, were in fact not "*substantially* similar" after taking into account the numerous divergent elements of the works.[91]

However, in *Sullivan v. Pure Flix*,[92] a recent unpublished decision, the lessons of *Ryder* were ignored and the pendulum swung yet again in favor of plaintiffs. In *Sullivan*, the plaintiffs' work was a screenplay entitled *Proof* concerning a debate between two college professors over the existence of God versus science — with one of the professors, whose tenure is placed in jeopardy, inspired by the actor Robin Williams's character in the film *Dead Poets Society*. The defendants in *Sullivan* had access to the screenplay for *Proof*, but later created an ensemble film entitled *God's Not Dead*, supposedly based on a rock song with the same title, in which a college student accepts a challenge from an atheist professor to deliver a class presentation proving that God is not dead while other interlocking stories involving other characters (much like in the films *Crash* or *Love Actually*) also deal with the themes of faith and God. In the trial court, defendants won summary judgment. On appeal, relying on *Ryder*, the de-

87 *Id.* at 1068.

88 *Id.* at 1074.

89 *Id.* at 1076-78.

90 *See* note 4 *supra*; *see also Benay*, 607 F.3d at 629 (affirming dismissal of plaintiffs' copyright infringement claim).

91 *Ryder*, 246 Cal. App. 4th at 1078.

92 Sullivan v. Pure Flix Entm't, LLC, No. B280305, 2018 WL 5993817 (Cal. Ct. App. Nov. 15, 2018).

fendants argued that the works were not substantially similar and that pre-existing ideas already known to the defendants had to be "filtered out" of the substantial similarity analysis. However, the Court of Appeals disagreed on both points and reversed the trial court's ruling. In particular, court in *Sullivan* concluded that *Ryder* was wrongly-decided and declined to "filter out" any creative elements known to defendants before receiving *Proof* — holding that "the approach used in *Ryder* ignores the difference between copyright law and idea submission law."[93] Further, by focusing on the fact that both works dealt with the same general themes of God and faith in the setting of college campuses, and ignoring the divergent specific expressive details of the kind that had been dispositive in *Ryder*, the court in *Sullivan* ruled that "the similarities in the core storylines of both Proof and God's Not Dead are sufficient to preclude a finding of no substantial similarity as a matter of law. Instead, the question is a factual one that we leave for a jury to decide."[94]

IV. THE SO-CALLED INVERSE RATIO RULE

Some cases, including *Sullivan*, have held that determining substantial similarity in an idea submission case may be facilitated by the so-called "inverse ratio rule" — a "rule" that is also sometimes invoked in copyright infringement cases.[95] Under this purported "rule," if the defendant has a high level of access to the plaintiff's work, a lower level of similarity may be sufficient for the plaintiff to prevail.[96]

For example, in *Golding v. R.K.O. Pictures*, a 1950 common law copyright case in which the plaintiff alleged that his stage play *The Man and His Shadow* had been infringed by the motion picture *Ghost Ship*, the court held that "[w]here there is strong evidence of access, less proof of similarity may suffice. Conversely, if the evidence of access is uncertain, strong proof of similarity should be shown . . . ."[97] The inverse ratio rule has been described as follows:

> Although access and similarity are separate components of the "actual use" equation, they are linked to one another whenever they constitute the evidence from which an inference of actual use arises. The law recognizes that a great deal of evidence of one of these elements can compen-

93 *Id.* at *14.

94 *Id.* at *15.

95 Aliotti v. R. Dakin & Co., 831 F.2d 898, 902 (9th Cir. 1987); *Sullivan*, 2018 WL 5993817 at *12.

96 *Fink*, 9 Cal. App. 3d at 1007 fn. 14 ("[T]here is ample similarity, given the unlimited access pleaded, to take the case beyond the demurrer stage. . .. Less similarity is required where access is strong.").

97 35 Cal. 2d 690, 695 (1950); *see also Benay*, 607 F.3d at 625 ("we assume without deciding that the inverse ratio rule applies to lower the burden on [plaintiffs] to show similarity.").

> sate for a shortage of evidence of the other, in the minds of reasonable people asked whether they would infer actual use from the evidence presented. Thus, when circumstantial evidence of actual use must be relied on, the law requires less similarity when the evidence of access is great, and less evidence of access when the similarity is great.[98]

However, this reasoning is highly suspect. It does not logically follow that "more" access to the plaintiff's work increases the likelihood that the defendant "used" it. Moreover, even if heightened access is deemed to increase the likelihood of use, it does not logically follow that the quantum of substantial similarity required to prove such use should therefore be reduced by a "ratio" or any other amount. Thus, it has been observed: "While it is true that one cannot copy something to which one does not have access, it is also true that one can have complete access to a [creative] work . . . but not copy that work. No degree of access necessarily leads to any degree of copying."[99]

Because of its logical weaknesses, the inverse ratio rule is frequently cited by the courts only as a makeweight argument that "can apply only to justify a result after a showing of similarity has been made."[100] Thus, the inverse ratio rule should not be accorded significant weight in the analysis of substantial similarity.[101] "In fact, the Ninth Circuit has recently abrogated the inverse ratio rule by holding that 'access, however, in no way can prove substantial similarity.'"[102] As a result, it has been observed that: "Happily, therefore, the end result . . . in the Ninth Circuit, [is] access no longer [has] bearing on substantial similarity."[103]

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[98] 5 NIMMER & NIMMER, *supra* note 14, § 19D.07[C][1][c]. But the Nimmer treatise is of two minds concerning the inverse ratio rule. In the section of the treatise dealing with idea submission claims, the validity of the "rule" is unquestioned. However, in the section of the treatise dealing with copyright infringement claims, the inverse ratio rule is criticized and referred to as a "flawed proposition." *See* 4 *id.* § 13.03[D] ("The *flawed proposition* that powerful proof of access can substitute for demonstration of the requisite degree of substantial similarity is sometimes labeled the 'Inverse Ratio Rule.'") (emphasis added).

[99] 3 WILLIAM F. PATRY, PATRY ON COPYRIGHT § 9:91 (2019) ("The inverse ratio theory is based on a false postulate.").

[100] Arc Music Corp. v. Lee, 296 F.2d 186 (2d Cir. 1961).

[101] *Aliotti*, 831 F.2d at 902; *see also* David Aronoff, *Exploding the Inverse Ratio Rule*, 55 J. COPYRIGHT SOC'Y 125 (2008) (analogizing the inverse ratio rule to such pseudo-scientific beliefs as crop circles, astrology, and phrenology).

[102] Skidmore as Trustee for Randy Craig Wolfe Trust v. Zeppelin, 2020 WL 1128808*, at 10–13 (9th Cir. Mar. 9, 2020) (citing David Aronoff, *Expanding the Inverse Ratio Role*, 55 J. COPYRIGHT SOC'Y 125 (2008).

[103] 4 NIMMER & NIMMER, *supra* note 14, § 13.03[D].

V. *THE QUESTION OF INTENT*

The level of "substantial similarity" that must be proved by the plaintiff under a breach of implied-in-fact contract legal theory may also be affected by the intent of the parties entering into an implied-in-fact contract for the use of ideas. For example, several cases have suggested that a contractual agreement requiring compensation when a later work is "based on" a prior work may require payment even when the similarities are not "substantial."[104] Additionally, in *Weitzenkorn*, the court noted that while "improbable" it was nonetheless possible that the plaintiff could show that the defendants had agreed to pay plaintiff "no matter how slight or commonplace the portion which they used."[105]

The use of the word "improbable" in *Weitzenkorn*, however, was a gross understatement. As a practical matter, it is virtually impossible that any plaintiff could introduce credible, substantial evidence of a contract to pay for "slight or commonplace" ideas of the kind postulated in *Weitzenkorn*. For obvious reasons, no defendant in a breach of implied contract action would expressly admit to such intent, and it is highly unlikely that any entertainment industry custom or practice could impliedly support such an intent to pay for slight or commonplace ideas. To the contrary, the entertainment industry's custom and practice is quite the opposite — as one commentator has observed:

> It is of course industry custom to pay for movie and television rights to copyright-protected expression, because federal copyright law requires that permission be obtained to film, distribute and perform such expression. *But the existence of an industry custom to pay for copyright-protected expression does not amount to a custom to pay for mere ideas; and thus evidence of one does not prove the existence of the other.*[106]

Accordingly, a plaintiff testifying, as suggested in *Weitzenkorn*, that his or her own intent was to create a contract under which payment was required for any use of ideas no matter how "slight or commonplace" would run the

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104 Thus, in *Fink* the plaintiff alleged an express oral contract under which he supposedly was owed compensation if defendants created a series "based on Plaintiff's [proposed] Program *or any material element contained in [it].*" *Fink*, 9 Cal. App. 3d at 1002 (emphasis added); *see also* Buchwald v. Paramount Pictures Corp., No. C706083, 1990 WL 357611 * 10 (Cal. Sup. Ct., Jan. 8, 1990) (holding that a written contract requiring payment to plaintiff if a motion pictures was "based on" the plaintiff's treatment meant that the plaintiff was to be paid if the defendant's work "is based upon a material element of or was inspired by [plaintiff's] treatment.").

105 40 Cal. 2d at 792 (emphasis added); *see also Chandler*, 156 Cal. App. 2d at 442 ("The producer and the writer should be free to make any contract they desire to make with reference to the buying of the ideas of the writer . . . .").

106 Sobel, *supra* note 14, at 45 (emphasis added).

risk of negating the existence of any contract at all by proving the lack of a "meeting of the minds" as to an essential term.[107]

Although implied contracts as to "slight or commonplace" ideas as suggested in *Weitzenkorn* may be very unlikely to exist, it is much more probable for parties impliedly to agree to application of a higher copyright-like standard of substantial similarity. Indeed, such an understanding would be in keeping with "industry custom to pay for movie and television rights to copyright-protected expression."[108] Accordingly, whenever a plaintiff's submission to the defendant is a written "literary property," it is a fair assumption that the parties' intent was that "use" of such property — i.e., a copyright standard of substantial similarity — would be required to trigger an obligation to pay. Indeed, it is precisely this assumption that animated the Court of Appeals' decision in *Ware*.[109]

VI. CONCLUSION: CAN YOU WIN YOUR CLAIM AGAINST TARANTINO?

After examining the case law, it is apparent that the Court of Appeals decision in *Fink* was correct at least in its observation that substantial similarity in idea submission cases is a "zig-zag frontier" in which "[d]ecisions must . . . inevitably be *ad hoc*."[110] Nonetheless, we are still left with the fundamental question posed by our hypothetical: Can you successfully pursue an idea submission claim against Tarantino? Or, to put it more delicately, can you at least raise a triable issue as to the "use" of your idea by Tarantino through proof that *Once Upon a Time in Hollywood* is substantially similar to the ideas in your Charles Manson proposal?

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[107] That said, the California courts are liberal in allowing industry custom evidence to fill the gaps of where there is no express meeting of the minds as to essential terms in the context of implied-in-fact contracts. *See* Gunther-Wahl Prods., Inc. v. Mattel, Inc., 103 Cal. App. 4th 27 (2002); Whitfield v. Lear, 751 F.2d 90, 93 (2d Cir.1984) (applying California law); Forest Park Pictures v. Universal Television, 683 F.3d 424, 435 (2d Cir. 2012) ("California courts . . . enforce contracts without exact price terms as long as the parties' intentions can be ascertained"). Other states may not be so lenient. Lapine v. Seinfeld, 918 N.Y.S.2d 313 (Sup. Ct. N.Y. Cnty. 2011) (dismissing implied contract claim where there was no meeting of the minds as to price); *see also* Marraccini v. Bertelsmann Music Grp., Inc., 644 N.Y.S.2d 875, 877 (3d Dep't 1996) (dismissing an implied-in-fact contract claim on the pleadings because there were open-ended terms, and industry standards that plaintiff claimed could fill them were not identified); *but see* Nadel v. Play-By-Play Toys & Novelties, Inc., 208 F.3d 368, 376 and n. 5 (2d Cir. 2000) (noting that an implied-in-fact contract must have mutual assent, but that it can be inferred from "the specific conduct of the parties, industry custom, and course of dealing") (citing Maas v. Cornell Univ., 699 N.Y.S.2d 716, (1999)).

[108] Sobel, *supra* note 14, at 44.

[109] *Ware*, 253 Cal. App. 2d at 494-96.

[110] 9 Cal. App. 3d at 1013 (citations omitted).

Under several submission cases, including *Benay*, *Sullivan*, *Fink*, *Weitzenkorn*, and *Kurlan*, your claim may at least have a chance of surviving summary judgment. Specifically, these cases focused on the existence of similar ideas and themes at a high level of abstraction, without taking into account divergent expressive details. Under these cases, a triable issue may exist as to substantial similarity based on the facts that both your idea and Tarantino's film use some of the same characters, and are set at the same time and similar locations, to tell a counterfactual version of the Manson family murders in which Sharon Tate and her friends are not killed. In other words, it could possibly be concluded by some courts, at a very high level of abstraction, that the "spine" of these stories is substantially similar.[111]

The much better approach, however, as reflected by such cases as *Ryder*, *Klekas*, *A Slice of Pie*, *Ware*, and *Reginald*, would be to apply a standard that is more akin to copyright law by analyzing the works in closer detail, and not at a high level of abstraction. These cases, especially *Ware*, sometimes implicitly take into account the fact that a plaintiff's submission of "literary property" — for example, a detailed treatment or screenplay — is indicative of the parties' intent that a copyright-like standard of substantial similarity is necessary to trigger any contractual obligations by the defendant.[112] Under such authorities, your claim against Tarantino is more likely to be defeated since a detailed objective review of the works reveals that the principal action and themes in *Once Upon a Time in Hollywood* concern the friendship and interactions between Rick Dalton, the faltering actor portrayed by Leonardo DiCaprio, and his stunt double, Cliff Booth, played by Brad Pitt, as they navigate the ins and outs of Hollywood in 1969. Although Charles Manson's followers are deflected from their plan to kill Sharon Tate and her friends, and are then defeated by Dalton and Booth, these incidents are not the "substantial" focus of Tarantino's film. Thus, the film and your idea are not *substantially* similar.

Unfortunately, given the "zig-zag frontier" created by the case law in this area, there exists no guarantee that any particular court will adopt one approach instead of the other. That said, it can be argued that a high standard for substantial similarity — in line with *Ryder*, *Klekas*, *A Slice of Pie*, *Ware*, and *Reginald* — is mandated by the strong public policy recognized in *Desny* that ideas are generally "free as the air" because a contrary rule, under which a studio could be blocked from using ideas that are only remotely similar to a plaintiff's submission, would have an unwarranted chilling effect on free expression and the open exchange of ideas.[113] It is

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111 *Fink*, 9 Cal. App. 3d at 1010-11 (focusing on the "spine" of the works).

112 *Ware*, 253 Cal. App. 2d at 494-96.

113 *Desny*, 46 Cal. 2d at 731 ("An idea is usually not regarded as property, because all sentient beings may conceive and evolve ideas throughout the gamut of their

probably for this reason that the Court of Appeals in *Reginald* expressly concluded that "the degree of similarity required to meet the substantial similarity standard is high in the idea submission context."[114]

In short, under the relevant authorities, there is a good chance that your claim against Tarantino ultimately may be knocked out for lack of substantial similarity. However, if you nonetheless are fixed to take on Tarantino, you can take cold comfort from the fact that, somewhat like the down-on-his-luck boxer portrayed by Bruce Willis in Tarantino's film *Pulp Fiction*, you may at least have a slugger's chance of surviving summary judgment under such cases as *Benay, Sullivan, Fink, Weitzenkorn, and Kurlan*.

powers of cerebration and because our concept of property implies something which may be owned and possessed to the exclusion of all other persons").

[114] 2008 WL 588932 at * 5.

CONTRACTS MATTERED AS MUCH AS COPYRIGHTS

by ROBERT W. GOMULKIEWICZ*

ABSTRACT

Scholars have begun to appreciate the fundamental role that contracts played in the development of copyrights. Contracts gave copyrights vitalilty. This article explores the network of book publishing contracts that formed the legal infrastructure for a pre-modern "internet" at the dawn of copyright law in Great Britain in the eighteenth century. Drawing on insights from archival research, the article shows how this network of copyright contracts advanced an important goal of copyright: the spread of ideas and information throughout all parts of society. Appreciating the historical significance of copyright contracts provides valuable context for modern debates about copyright policy. Indeed, contracts matter as much as copyrights in fostering innovation in the modern information economy because contracts enable the beneficial sharing of ideas and information. This insight about contracts is particularly vital for those judges and lawmakers who make decisions about innovation policy, including the scope of copyright law's first sale doctrine and the enforceability of software license agreements.

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INTRODUCTION

Copyright scholars focus on copyright law. They evaluate whether the presence or absence of legal protection encourages the creation and distribution of works of authorship. Scholars debate, for example, the appropriate duration of exclusive copyrights,[1] the adequacy of fair use privileges,[2] and the proper remedies for infringement.[3] The implicit assumption is that if policymakers can adjust copyright law optimally, then society can maximize copyright's benefits and minimize its negative effects.[4]

Recently, scholars have broadened this focus to include the use of contracts with copyrighted works. These scholars point out that the role of contracts in the creation and distribution of works of authorship is a criti-

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[1] *See, e.g.*, LAWRENCE LESSIG, FREE CULTURE: HOW BIG MEDIA USES TECHNOLOGY AND THE LAW TO LOCK DOWN CULTURE AND CONTROL CREATIVITY 134 (2004).

[2] *See, e.g.*, Pamela Samuelson, *Possible Futures of Fair Use*, 90 WASH. L. REV. 815 (2015); Matthew Sag, *Predicting Fair Use*, 73 OHIO ST. L.J. 47 (2012).

[3] *See, e.g.*, BJ Ard, *Notice and Remedies in Copyright Licensing*, 80 MO. L. REV. 313 (2015).

[4] *See generally* ROBERT P. MERGES, JUSTIFYING INTELLECTUAL PROPERTY (2011).

cal part of the copyright protection equation.[5] Perhaps most prominently, copyright contracting is fundamental to both technological and business model innovation in the software industry.[6] The combination of copyright and contract, for instance, helps explain the innovation fostered in the open source software revolution.[7]

The use of contracts with intellectual property did not begin in the modern information age, of course. Licensing is as old as intellectual property itself — licensing is specifically mentioned in the 1474 Venetian Patent Act.[8] Copyright scholars studying England's 1710 Statute of Anne, which is arguably the oldest copyright legislation,[9] have also noticed the importance of contracts. Lionel Bently, for example, explored the use of contracts in his study of the reversion right in the Statute of Anne.[10] Rebecca Curtin examined the "transactional origins of author's copyright in

[5] *See, e.g.*, Mark A. Lemley, *Beyond Preemption: The Law and Policy of Intellectual Property Licensing*, 87 CALIF. L. REV. 111 (1999); Raymond T. Nimmer, *Breaking Barriers: The Relation Between Contract and Intellectual Property Law*, 13 BERKELEY TECH. L.J. 827 (1998); Robert W. Gomulkiewicz, *The License Is the Product: Comments on the Promise of Article 2B for Software and Information Licensing*, 13 BERKELEY TECH. L.J. 891 (1998) [hereinafter Gomulkiewicz, *License Is the Product*]; Maureen A. O'Rourke, *Drawing the Boundary Between Copyright and Contract: Copyright Preemption and Software License Terms*, 45 DUKE L.J. 479 (1995).

[6] *See* ROBERT W. GOMULKIEWICZ, SOFTWARE LAW AND ITS APPLICATION 276-79 (2d ed. 2018).

[7] *See* Robert W. Gomulkiewicz, *How Copyleft Uses License Rights to Succeed in the Open Source Software Revolution*, 36 HOUS. L. REV. 179 (1999).

[8] *See* Giulio Mandich, *Venetian Patents (1450–1550)*, 30 J. PAT. & TRADEMARK OFFICE SOC'Y 166, 177 (1948) ("[E]very person who shall build any new and ingenious device in this City, not previously made in our Commonwealth, shall give notice of it to the office of our General Welfare Board . . . . It being forbidden to every other person in any of our territories and towns to make any further device conforming with and similar to said one, *without the consent and license of the author* for the term of 10 years." (emphasis added)). *See also* Joanna Kostylo, *From Gunpowder to Print: The Common Origins of Copyright and Patent*, *in* PRIVILEGE AND PROPERTY: ESSAYS ON THE HISTORY OF COPYRIGHT 21-50 (Deazley, Kretschmer & Bently eds. 2010).

[9] *See* HARRY RANSOM, THE FIRST COPYRIGHT STATUTE: AN ESSAY ON AN ACT FOR THE ENCOURAGEMENT OF LEARNING, 1710 (1956); Tomás Gómez-Arostegui, *What History Teaches Us About Copyright Injunctions and the Inadequate-Remedy-At-Law Requirement*, 81 S. CAL. L. REV. 1197, 1218 (2008); *but see* Lionel Bently, *Introduction to Part I: The History of Copyright*, *in* GLOBAL COPYRIGHT: THREE HUNDRED YEARS SINCE THE STATUTE OF ANNE 7-13 (Bently, Suthersanen & Torremans eds., 2010) (qualifying and challenging this view of the Statute of Anne).

[10] Lionel Bently & Jane C. Ginsburg, *"The Sole Right . . . Shall Return to the Authors": Anglo-American Authors' Reversion Rights from the Statute of Anne to Contemporary U.S. Copyright*, 25 BERKLEY TECH. L.J. 1475 (2010) [hereinafter Bently & Ginsburg, *Anglo-American Authors' Reversion Rights from the Statute of*

England" in her work.[11] Peter Lindenbaum[12] and Michael Suarez[13] likewise have noted the important (and underappreciated) role of contracts in understanding the historical relationship between authors and publishers.

Appreciating the historical importance of contracts alongside copyright law serves an important goal: it eases the concern that intellectual property licensing is a new device dreamed up by intellectual property owners to exploit their exclusive rights in an unfair manner.[14] Lessons from history[15] explain how the use of contracts can (and did) advance the fundamental goals of copyright. We see that contracts benefitted authors, publishers, and consumers of works of authorship. And, most importantly, we see that contracts helped foster the spread of ideas and information throughout society.[16]

Anne]. In this co-authored article, Professor Bently wrote the section exploring the reversion right in the Statute of Anne.

11 Rebecca Schoff Curtin, *The Transactional Origins of Author's Copyright*, 40 COLUM. J.L. & ARTS 175 (2016) [hereinafter Curtin, *Transactional Origins*]. *See also* Rebecca Schoff Curtin, *The "Capricious Privilege": Rethinking the Origins of Copyright under the Tudor Regime*, 59 J. COPYRIGHT SOC'Y U.S.A. 391 (2012); Rebecca Schoff Curtin, *Hackers and Humanists: Transactions and the Evolution of Copyright*, 54 IDEA 103 (2013) [hereinafter Curtin, *Hackers and Humanists*].

12 Peter Lindenbaum, *Authors and Publishers in the Seventeenth Century II: Brabazon Alymer and the Mysteries of the Trade*, 31 THE LIBRARY 32, 50 (2002) [hereinafter Lindenbaum, *Mysteries of the Trade*].

13 Michael F. Suarez, *To What Degree Did the Statute of Anne Affect Commercial Practices of the Book Trade in Eighteenth-century England? Some Provisional Answers About Copyright, Chiefly from Bibliography and Book History*, *in* GLOBAL COPYRIGHT: THREE HUNDRED YEARS SINCE THE STATUTE OF ANNE 54, 67 (Bently, Suthersanen & Torremans eds., 2010).

14 *See* Jonathan M. Barnett, *Why Is Everyone Afraid of IP Licenses?*, 30 HARV. J.L. & TECH. 123 (2017); Robert W. Gomulkiewicz, *Getting Serious About User-Friendly Mass Market Licensing for Software*, 12 GEO. MASON L. REV. 687 (2004) [hereinafter Gomulkiewicz, *Getting Serious*] (noting that in the past twenty years, over 100 law-review articles had been written about software license agreements, almost all of them critical of software licensing).

15 BRAD SHERMAN & LIONEL BENTLY, THE MAKING OF MODERN INTELLECTUAL PROPERTY LAW: THE BRITISH EXPERIENCE, 1760–1911, at 1-2 (2002) [hereinafter SHERMAN & BENTLY] ("[W]e believe that many aspects of modern intellectual property law can only be understood through the lens of the past." "[M]uch of what is taken as unique and novel about the interaction of intellectual property law and the new environment in which it finds itself can, especially when placed in its historical context, be seen as examples of the law working through an on-going series of problems that it has grappled with for many years."). *Cf.* JENNIFER ROTHMAN, THE RIGHT OF PUBLICITY: PRIVACY REIMAGINED FOR A PUBLIC WORLD (2018) (using historical research on the development of the right of publicity to provide insights to address today's policy challenges).

16 Copyright protection can be justified based on principles of natural rights, personhood, and/or utilitarianism. *See* ROBERT P. MERGES, JUSTIFYING INTELLECTUAL PROPERTY (2011). Ultimately, copyright protection serves the cause of

Scholars studying the historical relationship between contracts and copyrights during the seventeenth, eighteenth, and mid-nineteenth centuries in Britain, a period some scholars call the "pre-modern" era of British intellectual property law,[17] tend to focus on those aspects of author-publisher agreements that relate to the creation of works of authorship. For example, they focus on what contracts said about the remuneration given to and the control retained by authors.[18] However, there is another critical dimension of copyright contracts: the contractual dealings between pub-

promoting the broad availability of works and their ideas. *See* Twentieth Century Music Corp. v. Aiken, 422 U.S. 151 (1975); Maureen A. O'Rourke, *A Brief History of Author-Publisher Relations and the Outlook for the 21st Century*, 50 J. COPYRIGHT SOC'Y 425, 435 (2002); Jane C. Ginsburg, *The Author's Place in the Future of Copyright*, 45 WILLAMETTE L. REV. 381, 384 (2009); *see also* JAMES RAVEN, THE BUSINESS OF BOOKS: BOOKSELLERS AND THE ENGLISH BOOK TRADE 1450–1850, at 45 (2007) [hereinafter RAVEN, THE BUSINESS OF BOOKS] (ultimate goal of publishing is to spread ideas and knowledge).

17 SHERMAN & BENTLY, *supra* note 15, at 2-5 (coining and describing the term "pre-modern" as it relates to intellectual property protection in Great Britain).

18 *See. e.g.*, David Fielding & Shef Rodgers, *Copyright Payments in Eighteenth-Century Britain, 1701–1800*, 18 THE LIBRARY 1 (2017); Peter Lindenbaum, *Milton's Contract*, 10 CARDOZO ARTS & ENT. L.J. 439 (1992) [hereinafter Lindenbaum, *Milton's Contract*]; Peter Lindenbaum, *Mysteries of the Trade*, *supra* note 12; Peter Lindenbaum, *Authors and Publishers in the Late Seventeenth Century: New Evidence on their Relations*, 17 THE LIBRARY 250 (1995) [hereinafter Lindenbaum, *New Evidence*]; Bently & Ginsburg, *Anglo-American Authors' Reversion Rights from the Statute of Anne*, *supra* note 10. For additional explorations of the author-publisher relationship, *see, e.g.*, Molly Van Houweling, *Authors Versus Owners*, 54 HOUS. L. REV. 371 (2016); Wendy Gordon, *The Core of Copyright: Authors Not Publishers*, 52 HOUS. L. REV. 613 (2014); Jane C. Ginsburg, *The Author's Place in the Future of Copyright*, 45 WILLAMETTE L. REV. 381 (2009); Oren Bracha, *The Ideology of Authorship Revisited: Authors, Markets, and Liberal Values in Early American Copyright*, 118 YALE. L.J. 186 (2008); Maureen A. O'Rourke, *A Brief History of Author-Publisher Relations and the Outlook for the 21st Century*, 50 J. COPYRIGHT SOC'Y 425 (2002).

lishers[19] and the related "downstream"[20] features of author-publisher contracts.[21]

Book history scholars such as Hugh Amory, Terry Belanger, and Cyprian Blagden have explored copyright transactions between British booksellers in the pre-modern era of copyright.[22] This article builds on that scholarship by arguing that copyright contracts between publishers and the related downstream aspects of author-publisher contracts formed a critical part of the legal infrastructure for the mass distribution of works of authorship.[23] The article highlights the importance of these copyright contracts in fostering the widespread dissemination of ideas and information. Indeed, this network of contractual relationships created a pre-modern "internet" in Great Britain — a network where authors of all types and stations, including politicians, preachers, poets, and polemicists, could bring their works into the marketplace of ideas.[24]

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19 In using the term "publisher" I mean those who invested and dealt in the ownership of copyrights rather than those who simply printed or sold books. As discussed *infra*, these publishers were known in the eighteenth-century as "booksellers." *See* Michael Treadwell, *London Trade Publishers, 1675–1750*, 4 THE LIBRARY 99 (6th ser. 1982); *see also* LISA MARUCA, THE WORK OF PRINT: AUTHORSHIP AND THE ENGLISH TEXT TRADES, 1660–1760, at 66-67 (2007). In addition to investing in copyrights, when it came time to produce an edition of a book, booksellers put up money for the cost of printing, binding, and paper in proportion to the shares of the copyright that the bookseller owned and, after the book edition was manufactured, the bookseller received a proportionate share of book copies which the bookseller sold wholesale and/or at retail. *See* Terry Belanger, *Booksellers' Trade Sales,1718–1768*, 30 THE LIBRARY 281, 285 (5th ser. 1975) [hereinafter Belanger, Booksellers' Trade Sales *1718–1768*].

20 The "upstream" aspects of copyright contracts focus on the *creation* of works of authorship; the "downstream" aspects of copyright contracts focus on the *distribution* of works of authorship.

21 Some scholars have noted certain downstream aspects of author-publisher contracts. *See* Curtin, *Transactional Origins*, *supra* note 11, at 184, 194, 203, 207, 212, 214.

22 *See* Hugh Amory, "De Facto *Copyright*"*? Fielding's* Works *in Partnership, 1769–1821*, 17 EIGHTEENTH-CENTURY STUDIES 449 (1984); Terry Belanger, *Booksellers' Trade Sales, 1718–1768*, *supra* note 19; Terry Belanger, Booksellers' Sales of Copyrights: Aspects of the London Book Trade 1718–1768 (unpublished Ph.D. dissertation, Columbia University 1970) [hereinafter Belanger, Booksellers' Sales of Copyrights: Aspects of the London Book Trade 1718–1768]; Cyprian Blagden, *Booksellers' Trade Sales, 1718–1768*, 5 THE LIBRARY 243 (5th ser. 1951) [hereinafter *Booksellers' Trade Sales, 1718–1768*]; NORMAN HODGSON & CYPRIAN BLAGDEN, THE NOTEBOOK OF THOMAS BENNET AND HENRY CLEMENTS: WITH SOME ASPECTS OF BOOK TRADE PRACTICE (1951).

23 This article draws on insights gained from studying manuscripts held at the University of Cambridge, the University of Leeds, and the British Library.

24 *See generally* MARJORIE PLANT, THE ENGLISH BOOK TRADE: AN ECONOMIC HISTORY OF THE MAKING AND SALE OF BOOKS (1939) [hereinafter PLANT, THE ENGLISH BOOK TRADE]; WILLIAM ST. CLAIR, THE READING NATION IN THE RO-

The article proceeds in several parts following this introduction. Section I summarizes the genesis of book publishing in Great Britain and Section II the corresponding evolution of copyright law, including passage of the Statute of Anne. Section III describes the historical evidence of contracts between publishers as well as the related downstream aspects of author-publisher contracts. In particular, Section III looks at copyright assignment contracts between publishers and the related transferability provisions in author-publisher contracts. Section III discusses what these contracts teach us about the importance of contracting in the story of copyright protection and how contracts contributed to a flourishing marketplace of ideas in Great Britain.

Section IV addresses how book publication contracts fostered the publication of books that had little or no commercial value. Section V illustrates how publishers used a variety of contractual arrangements to provide low cost copies to users for charity, a pre-modern example of price discrimination that is common today in software licensing. Section VI explores the use of contracts in the face of both very weak and very strong exclusive rights using case studies based on archival documents. Finally, Section VII discusses modern applications and policy implications of lessons from the pre-modern era of copyright and contract, concluding that contracting remains as important as copyrighting in the modern information economy.

I. BRITISH BOOK PUBLISHING IN THE PRE-MODERN COPYRIGHT ERA

Book production began with scribes composing manuscripts at the behest of governments, churches, or wealthy patrons. Such bespoke books did little to directly communicate information or ideas to the great majority of the population. However, the printing press revolutionized book production and distribution beginning in the mid-fifteen century.[25] As the mass production and distribution of books accelerated, books became an important agent for directly circulating ideas and information across all levels society.[26] Books established and challenged standards of behavior, acted as vehicles for social cohesion and dissent, and promoted political and religious control and independence.[27]

MANTIC PERIOD (2004) [hereinafter ST. CLAIR, THE READING NATION]; 5 THE CAMBRIDGE HISTORY OF THE BOOK IN BRITAIN 1695-1830 (Suarez & Turner eds., 2009) [hereinafter 5 CAMBRIDGE HISTORY OF THE BOOK].

[25] *See* RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 224.

[26] *See generally* ELIZABETH EISENSTEIN, THE PRINTING PRESS AS AN AGENT OF CHANGE (1979).

[27] *See* ST. CLAIR, THE READING NATION, *supra* note 24, at 1-18.

Continental Europe dominated the early production of printed books, but by the early eighteenth-century, Great Britain had become a book production powerhouse.[28] Consequently, the book publishers of Britain became critical conduits for the spread of ideas and information to the general public. Indeed, we can think of the British book publishers as entrepreneurs of culture for the English-speaking world, including England's colonies in North America.[29]

II. BRITISH COPYRIGHT LAW AND THE STATUTE OF ANNE

British monarchs were not enamored with the declining control of the marketplace of ideas that they experienced due to the mass market publishing of books, especially ideas about religion and politics. They asserted royal control by mandating that no book could be published unless it was licensed by the crown.[30] In 1557 Queen Mary I appointed an agent for this purpose: the Stationers' Company which was the book publishers' guild.[31] To acquire the legal right to print a book thereafter, a publisher had to enter the book's title on the Stationers' Company's registry.

As the book publishing industry matured, those known generally as "stationers" played several roles.[32] Those who primarily manufactured

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[28] JAMES RAVEN, PUBLISHING BUSINESS IN EIGHTEENTH CENTURY ENGLAND 16, 188 (2014).

[29] By the nineteenth century, British publishers were dispatching books, magazines, and other printed materials not only to England, Scotland, and Europe, but to North America, the Caribbean, India, Africa, Australasia, and the Far East. RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 103-04, 144-53, 169. "The book trade advanced as a trade in argument, in knowledge, in belief, in instruction, and in entertainment." JAMES RAVEN, PUBLISHING BUSINESS IN EIGHTEENTH CENTURY ENGLAND 33 (2014) [hereinafter RAVEN, PUBLISHING BUSINESS].

[30] *See generally* RONAN DEAZLEY, ON THE ORIGINS OF THE RIGHT TO COPY: CHARTING THE MOVEMENT OF COPYRIGHT LAW IN EIGHTEENTH CENTURY BRITAIN (2004).

[31] *See* William Cornish, *The Statute of Anne 1709–10: Its Historical Setting*, *in* GLOBAL COPYRIGHT: THREE HUNDRED YEARS SINCE THE STATUTE OF ANNE 17 (Bently, Suthersanen & Torremans eds. 2010) [hereinafter Cornish, *The Statute of Anne*]. The Stationers' Company worked in liaison with leading officials from the Church and State to police its members as well as unlicensed publishing. *Id.*

[32] *See* RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 125-27; PLANT, THE ENGLISH BOOK TRADE, *supra* note 24, at 66-68; *see also* Terry Belanger, *From Bookseller to Publisher: Changes in the London Book Trade, 1750-1850*, *in* BOOK SELLING AND BOOK BUYING: ASPECTS OF NINETEENTH CENTURY BRITISH AND NORTH AMERICAN BOOK 7 (Richard Langdon ed., 1978). *See generally* CYRUS BLAGEN, THE STATIONERS COMPANY: A HISTORY 1403–1959 (1960). For a modern example of the roles of printing, publishing, and bookselling, *see* Jeffrey A. Trachtenberg, *Amazon Rewrites Publishing By Pushing Its Own Books*, WALL. ST. J., Jan. 17, 2019, at A1, A8 (tracing Amazon's evolution from seller of books, to provider of printing services for authors, to publisher of its own books).

books were called "printers" or "binders" of books. Those who controlled the rights to print and re-print books were known as "booksellers."[33] The booksellers were the richest and most powerful of the stationers.[34] Booksellers such as Andrew Millar, Thomas Osbourne, and Jacob Tonson Sr. were prominent public figures of their day.[35]

By the seventeenth century the crown's licensing system for books relied on Parliamentary legislation and Parliament took the precaution of requiring that the Licensing Act be renewed from time to time.[36] The Company of Stationers' privilege ended in 1695 when the Licensing Act expired. By this time Parliament was wary of renewing the great power of the booksellers. In 1710, Parliament took a different approach: it gave authors, rather than booksellers, the exclusive right to print books for a fourteen-year period with the potential for an additional fourteen-year renewal term.[37] This statute is known as the Statute of Anne, although most scholars doubt that Queen Anne had any particular interest in the legislation.[38]

Not only did the Statute of Anne attempt to restrain the power of the booksellers, it also recognized the emerging influence of authors, including authors such as Alexander Pope and John Dryden who could make a liv-

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[33] *See* Treadwell, *supra* note 19, at 99. Booksellers owned the copyrights to works they published while those known as "trade publishers" did not. *Id.* at 100-04. As bookseller William Strahan explained to an American correspondent: "[w]hat constitutes a Bookseller is having Property in Copies." *See* R.D. Harlen, *William Strahan: Eighteenth-Century Printer and Publisher* 236 n.58 (1960) (unpublished Ph.D. dissertation, University of Michigan).

[34] RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 37, 125-26.

[35] Millar and Osbourne participated in a concerted but ultimately unsuccessful effort by London booksellers to assert a perpetual common law copyright after passage of the Statute of Anne in the cases *Osbourne v. Donaldson*, *Millar v. Donaldson*, and *Millar v. Taylor*. Early nineteenth century biographer Thomas Dibdin in his *Bibliomania* called Osbourne the most celebrated bookseller of his day, although Osbourne was also mocked by Alexander Pope in the 1743 edition of *The Dunciad*. Tonson championed John Milton and John Dryden, brought Shakespeare back to popularity, and befriended aspiring authors like Alexander Pope. *See generally* G.F. PAPALI, JACOB TONSON, PUBLISHER: HIS LIFE AND WORK 110-15 (1968) [hereinafter PAPALI , JACOB TONSON, PUBLISHER].

[36] RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 125-26.

[37] The legislation's official title was: "An Act for the encouragement of learning, by vesting the copies of printed books in the authors or purchaser or purchasers of such copies, during the times therein mentioned . . . ." The legislation is available at: *Primary Sources on Copyright* (1455-1900), Arts & Humanities Research Council, www.copyrighthistory.org (last visited Jan. 24, 2019), http://www.copyrighthistory.org/record/uk_1710a.

[38] Cornish, *The Statute of Anne*, *supra* note 31, at 17.

ing from their writings.[39] According to the legislation's preamble, the statute sought to prevent publishing books without the author's consent, which had been to "their very great detriment and too often to the ruin of their families," and to encourage authors "to compose and write useful books."[40]

After passage of the Statute of Anne, however, the booksellers tried to re-assert their power by claiming a perpetual common law copyright that survived Parliament's time-limited statutory copyright. At first the booksellers were successful when a divided King's Bench in *Millar v. Taylor* concluded that copyright was a creature of common law and thus lasted in perpetuity.[41] However, in 1774 the House of Lords came to a different conclusion in *Donaldson v. Beckett*, holding that published works were subject to the durational term of the Statute of Anne.[42]

III. COPYRIGHT ASSIGNMENT CONTRACTS INVIGORATED THE MARKETPLACE OF IDEAS

This Section explores bookseller to bookseller copyright assignment contracts, as well as the related "further assignment" aspects of author-bookseller contracts, and shows how, taken together, these contracts invigorated the marketplace of ideas in the pre-modern era of copyright.

A. "Further Assignments" in Author-Bookseller Contracts

Even though enactment of an author-owned copyright seemed like a dramatic paradigm shift, most authors continued to assign their copyrights to their booksellers in the decades following Parliament's enactment of the Statute of Anne.[43] Booksellers even used assignment contracts to counteract and capture the reversion right that had been given to authors in the Statute of Anne.[44]

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[39] *See generally* MARK ROSE, AUTHORS AND OWNERS: THE INVENTION OF COPYRIGHT (1993); Dustin Griffin, *The Rise of the Professional Author?*, *in* 5 CAMBRIDGE HISTORY OF THE BOOK, *supra* note 24, 132-45; Martha Woodmansee, *The Genius and the Copyright: Economic and Legal Conditions of the Emergence of the 'Author'*, 17 EIGHTEENTH CENTURY STUDIES 425 (1984).

[40] Cornish, *The Statute of Anne*, *supra* note 31, at 21-22.

[41] 98 ENG. REP. 201 (K.B.) (1769).

[42] 98 ENG. REP. 257 (1774). *See generally* Tomás Gómez-Arostegui, *Copyright at Common Law in 1774*, 47 CONN. L. REV. 1, 45 (2014).

[43] There were some notable exceptions, but that was the general rule. For most authors, surrender of the copyright in advance appeared the less risky and troublesome option; by assigning their copyrights, authors gained immediate compensation and stepped away from further participation in the "unpredictable business of publishing." RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 242.

[44] *See generally* Lionel Bently & Jane C. Ginsburg, *"The Sole Right . . . Shall Return to the Authors": Anglo-American Authors' Reversion Rights from the Statute of Anne to Contemporary U.S. Copyright*, 25 BERKLEY TECH. L.J. 1475 (2010).

Some scholars have concluded that post-Statute of Anne author-to-bookseller assignment contacts show that copyright law did little to change things for authors in commercial reality.[45] However, by focusing on the circumstances of authors, scholars have largely ignored a significant aspect of these contracts.[46] What is particularly notable about the assignment contracts is not only that they assigned copyrights to booksellers in the first place, but also that the contracts allowed booksellers to further assign the copyrights to other booksellers.

The right to further assign provided a crucial part of the legal foundation for the market for copyrights in the pre-modern copyright era. Further assignment mattered just as much as the first assignment, as "copyright shares became major tradeable assets."[47] Consequently, the further assignment right allowed booksellers to keep works alive to fuel the marketplace of ideas, as explored in greater detail below.

Scholars have discovered many historical copyright assignment contracts between authors and booksellers. The earliest extant example is the 1667 contract between John Milton and Samuel Simmons (also spelled "Symons") for Milton's *Paradise Lost*.[48]

Here is a transcription of the assignment clause[49] in the Milton-Simmons contract:

> These Presents made the 27th day of April 1667 between John Milton, gen. of [the one part] and Samuel Symons printer of [the other part] Witness That the said John Milton in consider[con] of fiue pounds to him now paid by the said Sam Symons, & other the considerations hereund[er] mencoed, Hath *given and assigned*, and by these [presents] doth *giue, grant & assigne* vnto the said Sam Symons, *his executors, and assignees*, All he Booke, Copy, or Manuscript of a Poem intitluled Paradise lost, or by whatsoever other title or name the same is or shalbe called or distinguished, now lately Licensed to be printed, Together wth the full bene-

[45] *See, e.g.*, Michael F. Suarez, *To What Degree Did the Statute of Anne Affect Commercial Practices of the Book Trade in Eighteenth-century England? Some Provisional Answers about Copyright, Chiefly from Bibliography and Book History*, *in* GLOBAL COPYRIGHT: THREE HUNDRED YEARS SINCE THE STATUTE OF ANNE 54, 67 (Bently, Suthersanen & Torremans eds., 2010).

[46] *But see* Curtin, *Transactional Origins*, *supra* note 11, at 203 (identifying the commercial importance of the assignability of Milton's contract for *Paradise Lost*); Amory, *supra* note 22, at 454-55 (1984) (noting the importance of negotiability of copyright shares acquired at copyright auctions).

[47] RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 126. However, authors and booksellers may have had different perspectives on copyrights as property rights. *See* Simon Stern, *Copyright as Property Right? Authorial Perspectives in Eighteen-Century England*, 9 U.C. IRVINE L. REV. 461 (2019).

[48] *See* Peter Lindenbaum, *Milton's Contract*, 10 CARDOZO ARTS & ENT. L. J. 439, 440-41 (1992).

[49] 4 THE LIFE RECORDS OF JOHN MILTON 429 (J. Milton French ed., 1956).

> fit, profit, & advantage thereof, or [which] shall or may arise thereby . . . . (Emphasis added.)

Notably, the Milton-Simmons contract contains a "further assignment" provision.

Additionally, we see significant evidence of "further assignment" contractual provisions in the British Library's Upcott Collection[50] where nearly every fully articulated author-bookseller contract[51] permits further assignment.[52] The importance of the further assignment provision in author-bookseller contracts is highlighted, for example, by an insertion in a March 14, 1706 contract between bookseller Jacob Tonson[53] and Reverend Laurence Echard for Echard's *History of England*.[54] In a draft of the contract, one of the parties inserted the words "or their Executors admins or assigns" after the copyright assignment provision.[55] Clearly, something important had been omitted from the body of the text in the initial drafting and someone added the appropriate wording via an insert on a re-read of the text. Indeed, in a subsequent version of the contract (presumably the final version, written in more elegant handwriting), the further assignment wording appears in the body of the text.[56]

B. Bookseller to Bookseller Assignment Contracts

William Somerville was born in 1677 to a well-established country family in Staffordshire, England. He studied at Winchester College and at New College, University of Oxford, and then studied law at the Middle

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[50] The Upcott Collection is an extensive collection of book author and bookseller documents from the pre-modern era of copyright compiled in 3 volumes by antiquary and autograph collector William Upcott (1779-1845), currently held at the British Library. *See* Brit. Lib. Add MS 38728, 38729, 38730. Volume I is titled *Original Assignments of Manuscripts Between Authors and Publishers 1703–1810 principally for Dramatic Works*. Brit. Lib. Add MS 38728. Volume II is titled *Original Assignments of Manuscripts Between Authors and Publishers principally for Mathematical & Elementary Works 1707–1818*. Brit. Lib. Add MS 38729. Volume III is titled *Original Assignments of Copyrights of Books and other Literary Agreements between various Publishers 1712–1822*. Brit. Lib. Add MS 38730.

[51] The Upcott Collection contains many receipts and other documents that provide evidence of a contract in addition to several fully articulated contracts.

[52] *See* Brit. Lib. Add MS 38728 at 26, 29, 37, 43, 45, 55, 107, 115, 117, 128-129, 142, 146, 148, 150, 152, 155, 159, 161, 200, 206, 210; Brit. Lib. Add MS 38729 at 20, 22, 24, 25, 27-28, 31-32, 50, 85, 87, 89, 91, 93, 95, 102, 104, 135, 140, 143, 152; *but see* Brit. Lib. Add MS 38729 at 79, 82-83 (Dodson-Nourse contracts).

[53] Jacob Tonson Sr. was a prominent eighteen century publisher of works by John Dryden and John Milton's *Paradise Lost*. *See generally* PAPALI, JACOB TONSON, PUBLISHER, *supra* note 35; KATHLEEN M. LYNCH, JACOB TONSON KIT-CAT PUBLISHER (1971).

[54] *See* Brit. Lib. Add MS 38729 at 110-11.

[55] *Id.*

[56] *Id.* at 112.

Temple in London. After his father died, Somerville moved back home and devoted himself to the family estate in Warwickshire, where he wrote poetry, including *Hobbinol*. *Hobbinol* is a blank-verse burlesque poem inspired by the rural games motif of Homer, Virgil, and Milton.

Somerville assigned a copyright interest in *Hobbinol* to bookseller John Stagg.[57] Stagg was an English bookseller who did business in London's Westminster Hall from around 1716 to 1746.[58] In 1740, Stagg assigned an interest in *Hobbinol* to bookseller William Bowyer. Bowyer was an English bookseller known as William Bowyer "the younger" because he took over his father William Bowyer's publishing business.[59] Bower the younger, who studied at St. John's College, University of Cambridge, has been called the most learned bookseller of the eighteenth century.[60]

The copyright assignment contract between Stagg and Bowyer can be found in the A.N.L. Munby papers of the Cambridge University Library.[61] My transcription of the assignment is as follows:

> Apr. 28, 1740
> Redc [Received] of Mr. William Bowyer Printer twenty one pounds, in consideration of which I am and do hereby assign over [insertion of words: to him and his assigns] forever, all Acts of Parliament to the contrary in any wise notwithstanding, one Half of the Copy of a Poem called HOBBINOL or *The Rural Games*, the whole being assigned to me by the author Mr. Somerville.
> [signature] Mr. Stagg
> Wit
> Mr. Stevens

Perhaps the most remarkable thing about the assignment contract for *Hobbinol* is how unremarkable it is. As book historian Peter Lindenbaum has noted, we can learn the most about the British publishing industry in

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[57] Buying and selling fractional shares of copyright was standard practice. It allowed publishers to share the cost (and therefore the risk) of publication. *See* RAVEN THE BUSINESS OF BOOKS, *supra* note 16, at 43-44, 89-90.

[58] *See* HENRY R. PLOMER, DICTIONARY OF THE PRINTERS AND BOOKSELLERS WHO WERE AT WORK IN ENGLAND, SCOTLAND, AND IRELAND FROM 1668–1725, at 280 (1922) [hereinafter PLOMER, DICTIONARY OF PRINTERS AND BOOKSELLERS 1668–1725].

[59] *Id.* at 44-45. *See also* RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 164.

[60] PLOMER, DICTIONARY OF PRINTERS AND BOOKSELLERS 1668-1725, *supra* note 58, at 45.

[61] Munby Archive Add 8226, Cambridge University Library. I am very grateful to Kate Faulkner of the Squire Law Library, University of Cambridge, and Frank Bowles of the Manuscripts Reading Room, Cambridge University Library, for directing me to the A.N.L. Munby papers. The Stagg-Bowyer assignment contract is tucked into the front of the John Nichols copyright share account book in the Munby Archive. JOHN NICHOLS, PURCHASE AND DISPOSAL OF COPYRIGHTS c. 1769–1815. Munby Archive Add 8226, Cambridge University Library.

the pre-modern copyright era by looking at its most unremarkable transactions.[62] Indeed, the account book of Bowyer's printing business from 1699 to 1777 shows hundreds of transactions like the *Hobbinol* transaction.[63] Similarly, the Upcott Collection contains documents evidencing hundreds of similar copyright assignment contracts between booksellers.[64] Further, significantly, the Stationers' Register shows hundreds of entries for transfers of copyrights between booksellers.[65]

Copyrights were a significant tradeable asset. Shares of copyrights were bought and sold at regular copyright auctions at several London taverns and coffeehouses.[66] Booksellers regularly bought and sold rights in a wide variety of works with vastly different market values.[67] For example, they bought and sold rights in valuable literary works by venerable authors, such as John Milton and Alexander Pope, but also rights in less valuable literary works by less famous authors, such as William Somerville.

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62 *See* Lindenbaum, *Mysteries of the Trade*, *supra* note 12, at 50.

63 *See The Bower Ledgers: The Printing Accounts of William Bower Father and Son, with a Checklist of Bowyer Printing 1699-1777* (Keith Maslan & John Lancaster eds., 1991). Bowyer apprenticed John Nichols, whose account book in the A.N.L. Munby papers contains the Stagg to Bowyer assignment agreement for *Hobbinol*. *See* NICHOLS, *supra* note 61. John Nichols was a leading bookseller and author in his time. Nichols became Bowyer's successor in the publishing business. *See* RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 164. Nichols' account book, like Bowyer's account book, shows evidence of dozens of copyright assignment transactions between booksellers.

64 *See* Brit. Lib., Add MS 38730. The Upcott Collection Volume III contains manuscripts of many relatively brief contracts like the Stagg-Bowyer assignment, but also several elaborate assignment contracts, *see id.* at 24, 33, 59, 89, 118, 123, 172; *see also* Lindenbaum *New Evidence*, *supra* note 18, at 264 (reproduction of a 10 Aug. 1687 assignment contract between the executor for Samuel Simmonds and Edward Vize for John Milton's essay entitled *Judgement of Martin Bucer Regarding Divorce*).

65 *See, e.g.*, Lindenbaum *Mysteries of the Trade*, *supra* note 12, at 17 n.11 (describing the entry for Simmons's transfer to Alymer for Milton's *Paradise Lost*).

66 *See* Belanger, *Booksellers' Trade Sales, 1718–1768*, *supra* note 19; Belanger, Booksellers' Sales of Copyrights: Aspects of the London Book Trade 1718–1768, *supra* note 22); Cyprian Blagden, *Booksellers' Trade Sales, 1718–1768*, *supra* note 22. Copyright share auctions took place at the Queen's Head Tavern in Paternoster Row, Queen's Arms Tavern in St. Paul's Churchyard, and the Globe Tavern in Fleet Street. *See* RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 128, 230; *see also* Brit. Lib. Add MS 38730 at 17, 22, 48, 71, 72, 80, 93, 96, 109, 111, 130, 151, 168, 203 (Globe Tavern transactions); 13, 18, 19, 39, 40, 42, 43, 45, 49, 50, 52, 57, 69, 88, 100, 102, 106, 118, 147, 152, 163, 164, 165, 175, 204 (Queen's Arms Tavern transactions); 35, 115 (London Coffeehouse transactions); 9, 77 (Rose Tavern transactions).

67 *See* Michael J. Suarez, *The Worldliness of Print*, *in* 5 CAMBRIDGE HISTORY OF THE BOOK, *supra* note 24, at 22-23.

Booksellers acquired rights in serious scholarly works such as Sir Edward Coke's *Institutes of English Law*,[68] but they also acquired rights in satirical poems, such as Somerville's *Hobbinol*.[69]

The format of the Stagg-Bowyer contract document can help us form a mental picture of the volume of these copyright assignment transactions. The document is folded into quarters, the contract's text facing inward. The exposed outside of the folded paper has browned significantly more than the inside which contains the contract's text. Written horizontally across the outside of the document on the top of the folded paper is the notation:

> Mr Stagg's
> assignment of
> the Half of Mr
> Somerville's Hobbinol.

The document's form, together with this notation, indicates that Bowyer filed the contract along with many others like it for later retrieval and review.[70] Documents in the Upcott Collection indicate that other booksellers had similar methods of organizing their large collection of copyright assignment documents.[71] We can picture hundreds of similarly folded and labeled copyright assignment contracts carefully organized in pigeonholes or neatly stacked on the desks or shelves of hundreds of British booksellers.

One feature of the Stagg-Bowyer contact document indicates how much booksellers cared about the re-assignability of copyrights that they acquired. The document contains the text of a present assignment of the copyright: "I am and do hereby assign over . . . ." So far, so good. Yet the document also contains an insertion: "to him *and his assigns*" (emphasis added). Someone must have realized that something important had been left out of the document, hence the insertion. Clearly, the parties wanted

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[68] *See* University of Leeds Special Collections, Documents related to the property of the Harris and Turner families, YAS/DD 148/83 and YAS/DD 148/88. I discuss these documents in more detail, *infra*.

[69] As Somerville puts it in his Preface to *Hobbinol*: "If any Person should want a Key to this Poem, his Curiosity shall be gratified; I shall in plain Words tell him, 'It is a Satire against the Luxury, the Pride, the Wantonness, and quarrelsome Temper of the middling Sort of People.'"

[70] Perhaps the underlining in the notation "Mr *Somerville's* Hobbinol" indicates that Bowyer organized his contracts alphabetically by author last name.

[71] The Upcott Collection shows evidence that this method was used by booksellers John Nourse (*see* Brit. Lib. Add MS 38729 at 20, 22, 24, 25, 27, 31-32, 58, 75, 89, 91, 93, 95, 102, 104, 135, 196; Brit. Lib. Add MS 38730 at 89, 172); John Watts (*see* Brit. Lib. Add MS 38728 at 45, 115, 151-152, 155, 200, 206, 210), Thomas Lowndes (*see* Brit. Lib. Add MS 38730 at 24, 33, 133, 163, 165, 175, 204); Jacob Tonson (*see* Brit. Lib. Add MS 38729 at 110, 111, 112); and Thomas Osborne (*see* Brit. Lib. Add MS 38729 at 140).

to make absolutely certain that the contract gave rights in *Hobbinol* to both Bowyer *and* Bowyer's assigns.

Copyright assignment wording like the wording inserted in the Stagg-Bowyer contract also can be found in many documents in the Upcott Collection. A good example is a contract dated November 24, 1762, between London booksellers Samuel Hooper and John Nourse[72] for two French-English dictionaries and a grammar book. The contract provides that Hooper:

> Hath Bargained and Sold and by these presents Doth Bargain" . . . "one half part of his Right and Interest in and to the Three Following **Books or Copyes thereof**" . . . "To Hold and Enjoy . . . unto said John Nourse **his Exors Admnors Assigns to his and their own use forever.**[73]

Another good example can be found in an April 26, 1759 assignment contract between Catherine Lintot and Thomas Lowndes:[74]

> Know allmen by these presents that I Catherine Lintot Administrator of Henry Lintot Esq deceased . . . have bargained, sold, assigned, transferred, and set over and by these presents Do assign and set over my right, title, Interest, and Claim, and demand in and to the abovementioned **shares of Copies and right of printing the said Books**. To have and to Hold the said **shares of Copies and right of printing** unto the said Thomas Lowndes his **Executors, Administrators and assigns forever.**[75]

Henry Lintot took over his father Bernard's[76] bookshop in 1736, and Henry's widow, Catherine, ran the business until at least 1775.[77] Sometimes widows of booksellers simply sold off copyrights for cash, but in other cases they continued to buy and sell copyrights as part their operation of an ongoing publishing business.[78]

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[72] Nourse tended to publish scholarly works and was a leading dealer in foreign books. *See* RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 160.

[73] Brit. Lib. Add MS 38730 at 89 (emphasis added). Another good example is a June 1, 1765, assignment contract between London booksellers Jonathan Scott and John Nourse, see *id.* at 172; *see also* Lindenbaum, *New Evidence*, *supra* note 18, at 264 (assignment contract between stationers Edward Vize and Joseph Watts containing "further assignment" language).

[74] Thomas Lowndes (1719–84) was a publisher in London's Fleet Street area for over thirty years. He was immortalized as Briggs the bookseller in Frances Burney's 1782 novel *Cecilia*. In addition to being a notable publisher of plays, music, and directories, Lowndes founded one of the earliest and most extensive commercial lending libraries. RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 163.

[75] Brit. Lib. Add MS 38730 at 118 (emphasis added).

[76] Bernard Lintot was often a rival of Jacob Tonson in the publication of literary works and is perhaps best known for publishing the works of Alexander Pope. *See* 33 OXFORD DICTIONARY OF NATIONAL BIOGRAPHY 947-48 (2004).

[77] *See* RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 186-87.

[78] *Id.* at 38, 72-73, 162-63. It was common for widows of booksellers, like Catherine Lintot, to operate the family publishing business. For example, following her husband Thomas Cooper's death in 1743, Mary Cooper ran the leading trade pub-

In some Upcott Collection documents, a further assignment is noted on the initial assignment contract. For instance, a February 1, 1759 contract that had assigned copyrights from Thomas Bettesworth, following his death, to Thomas Lowndes notes: "Sold half of this Share to Woodgate and Brookes."[79] This notation stands out particularly because the full-page assignment contract is written in lovely handwriting while the brief note indicating the further assignment is written in decidedly inelegant handwriting (presumably Lowndes').[80]

C. *Invigorating the Marketplace of Ideas*

What does the *Hobbinol* assignment contract (and all the others like it) teach us about contract and copyright in the pre-modern era? Copyright assignments between booksellers kept the market brimming with works of all types. If an author became politically unpopular,[81] or if a bookseller fell on hard times,[82] went out of business[83] or died,[84] then works of authorship (and the ideas expressed therein) carried on because

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lisher in London until her own death in 1761. *Id.* at 172. After her husband Thomas Longman's death in 1755, Mary Longman ran the publishing business until her own death in 1762. *Id.* at 179; and Elizabeth Tonson ran Jacob Tonson's publishing business after his death and before it was taken over by her son Richard. *Id.* at 191. We see evidence of this in the Upcott Collection. *See* Brit. Lib. Add MS 38730 at 175 (assignment contract from Ann Shuckbrugh to Thomas Lowndes). Other women, such as Abigail Baldwin, Rebecca Burleigh, Sarah Malthus, and Elizabeth Carnan, were prominent publishers in the pre-modern copyright era. RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 172, 183.

[79] Brit. Lib. Add MS 38730 at 24; *see also id.* at 33, 42, 50 (evidence on single document of initial assignment of copyrights to Thomas Lowndes, acknowledgement of receipt of funds by assignor, and further assignment of copyrights by Lowndes).

[80] *See id.* at 24.

[81] *See* Lindenbaum, *Milton's Contract*, *supra* note 18, at 452-53; Lindenbaum, *Mysteries of the Trade*, *supra* note 12, at 188 (observing that John Milton may have used relatively obscure publisher Samuel Simmons to publish *Paradise Lost* rather than his more successful but royalist printer Humphrey Moseley who had previously published his *Poems of Mr. John Milton*, after Milton fell out of political favor because of his Republican beliefs, which led to a brief imprisonment and the condemning of some of his works to be burned).

[82] *See* RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 97-100.

[83] "The accumulation of great fortunes [in publishing] mirrored unprecedented numbers of bankruptcies." *Id.* at 135. We see evidence of this in the Upcott Collection. *See* Brit. Lib. Add MS 38730 at 9 (copyrights bought by John Nourse from the Estate of Francis Logan who is identified as a "Bankrupt"); *id.* at 105 (copyrights bought by Thomas Lowndes "the aforementioned copies and shares of copies being the effects of Mr George Hearsley, Bankrupt, and sold by virtue of his admission of Bankruptcy"); *id.* at 153-61 (In the Matter of James Rivington in which publishers Jacob Tonson, Andrew Millar, and Thomas Wright are referred to as "Assignees" of the Estate).

assignment contracts gave them continued commercial vitality.[85] If one bookseller ran out of ideas or resources or the will for commercializing a work,[86] then another publisher could have a go at it.[87]

Booksellers kept works alive in a wide variety of ways.[88] A poem, for example, might first be published as an individual standalone work. Next, the poem might be published with corrections, revisions, or additional verses. Then a new version might be published in a new format, using different typefaces,[89] sizes and quality of paper, and methods of binding. A publisher in Cambridge, Oxford, or Edinburgh[90] might partner with a publisher in London to reach a larger market for the poem. A preface or commendation by someone notable[91] might be added, or some beautiful illustrations. Useful annotations or commentary might also be added to a new version of the poem.

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[84] *See, e.g., id.* at 118 (assignment contract between Catherine Lintot and Thomas Lowndes).

[85] *See Booksellers' Trade Sales, 1769–1821*, *supra* note 22, at 246-47 (reasons for copyright sales were: "Death, Leaving Off Trade, Bankruptcy, Settlement of a Family Account, Breaking up of a Partnership, and Raising Money").

[86] Publishers risked imprisonment, mutilation, and execution for the books they published. RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 120.

[87] Sometimes, in addition to assigning copyrights, this meant trading book stock inventory. *See* DAVID MCKITTERICK, 2 A HISTORY OF THE CAMBRIDGE UNIVERSITY PRESS: SCHOLARSHIP AND COMMERCE, at 152 (2002) [hereinafter MCKITTERICK, 2 HISTORY OF CAMBRIDGE UNIVERSITY PRESS] ("[T]wo Thirds, if not three Fourths of those [books] you put off are exchanged among yourselves for others, which would have not Sale at all, were they not thus push'd and dispersed abroad by members of your Society, whose particular interest it is so to render Copies that lie in Obscurity more universal." (quoting a 1738 letter to the society of booksellers). *See also* RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 238.

[88] *See* RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 94-95, 208, 223-39, 250-56 (re-packaging of the text in various ways became increasingly important to the work's continued success in the market).

[89] Sometimes, however, the publisher boasted of going back to the original look and feel of the First Edition. *See* Advertisement for the 1850 Fourth Edition of George Herbert's *The Temple and Other Poems*, at x. "Herbert's *Temple* was exceptional for Cambridge Press . . . in that it established the printed appearance of a group of poems whose visual form was essential . . . it was arguably one of the most typographically influential of all Cambridge books during this period. Its duodecimo format became the established one, into the eighteenth century." MCKITTERICK, 2 HISTORY OF CAMBRIDGE UNIVERSITY PRESS, *supra* note 87, at 175.

[90] *See generally* DEAZLEY, *supra* note 30. One of the most famous publishers of the era, Andrew Millar, came to London from Edinburgh, as did other notable publishers. RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 158-59.

[91] *See* Lindenbaum, *Milton's Contract*, *supra* note 18, at 451.

Then, the poem might be published together with another poem by the same author on a related topic,[92] followed by publication of a collection of several of the author's poems. A revised collection of the original set of poems might be published, subtracting some but adding others.[93] A biography of the author (especially if the author had died) might be added to a new edition of the collected poems. Next, the poem might be published in an anthology of poems by several authors.[94] Perhaps, publication of the poem in the anthology[95] would lead to discovery of the poem by new audiences or a new generation of readers, which might lead to its republication on a standalone basis or stimulate interest in the author's works of prose.[96]

Whatever the method of keeping a work alive, assignment contracts helped make it possible.[97] In perhaps the most famous historical example, the rights to publish John Milton's *Paradise Lost* were transferred from Samuel Simmons to Brabazon Aylmer, and eventually to Jacob Tonson in whose hands the poem became a best seller and entered the canon of great English literature.[98] Consequently, these assignment contracts advanced an important goal of copyright: the continuous spread of information and ideas.[99]

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[92] *Hobbinol* is often combined with Somerville's more popular poem on a similar rural games theme, *The Chase*. The Nichols ledger reveals that he acquired, via Bowyer, rights in *The Chase*. *See* NICHOLS, *supra* note 61.

[93] *See, e.g.*, POEMS OF MR. JOHN MILTON, BOTH ENGLISH AND LATIN (which differs from the 1673 collection entitled, *Poems etc. on several occasions by Mr. John Milton, both English and Latin, composed at several times*); Advertisement for the 1850 Fourth Edition of George Herbert's *The Temple and Other English Poems*, which describes the poems that had been added to the new edition, at viii-x.

[94] *See* ST. CLAIR, THE READING NATION, *supra* note 24, at 66-83.

[95] *See, e.g.*, Samuel Johnson, THE WORKS OF ENGLISH POETS (Samuel Johnson ed., London, H. Hughes 1779).

[96] *See* Lindenbaum, *Mysteries of the Trade*, *supra* note 12, at 253 (describing how the success of John Milton's *Paradise Lost* poem stimulated interest in his works of prose and, then, the corresponding assignments of copyrights transferred between publishers holding rights in Milton's works of prose).

[97] More generally, as discussed *infra*, contracts gave booksellers the legal tool for business model innovation for works of authorship. One business model innovation was the subscription arrangement. *See generally* Sarah Clapp, *The Beginnings of Subscription Publishing in the Seventeenth Century*, 29 MOD. PHIL. 199 (1931); F.J. G. ROBINSON & P.J. WALIS, BOOK SUBSCRIPTION LISTS: A REVISED GUIDE (1975); PLANT, THE ENGLISH BOOK TRADE, *supra* note 24, at 227-32; *see also* Lindenbaum, *Milton's Contract*, *supra* note 18, at 448 (describing several subscription arrangements). However, subscription editions played a relatively small part in the book trade as a whole. RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 316.

[98] *See* Peter Lindenbaum, *Dispatches from the Archives*, 36 MILTON Q. 46 (2002).

[99] *See* RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 45 (the ultimate goal of publishing is to spread ideas and knowledge). "The book trade advanced as a

IV. BRINGING WORKS WITH NO COMMERCIAL VALUE INTO THE MARKETPLACE OF IDEAS IN THE PRE-MODERN ERA

Most works of authorship do not have significant commercial value. That was true in the pre-modern copyright era and that is true today in the modern information age.[100] Then and now, writers of poetry and prose struggle to scratch out a living from their intellectual work.[101] Given this reality, the question of whether copyright law changes the balance of power between authors and publishers for the purposes of receiving remuneration for copyrighted works is not the most pressing question in the vast majority of cases.[102]

That is not to say, of course, that works with no commercial value have no value. On the contrary, many important works, and indeed some of the most important works, do not have commercial value.[103] From a societal point of view, we want and need these works published so they can enrich the marketplace of ideas.[104] The tools of the information age have given authors the ability to publish cheaply and pervasively. This easy access to the marketplace of ideas is the signature development of the information age.[105]

In the pre-modern era of copyright, however, access to the marketplace of ideas for authors was not cheap or easy.[106] Book publishing was capital intensive: it required printing presses, ink, paper, binding materials, and printing and binding expertise.[107] Once a book was printed, the au-

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trade in argument, in knowledge, in belief, in instruction, and in entertainment." RAVEN, PUBLISHING BUSINESS, *supra* note 29, at 33. The copyright law that evolved in continental Europe did not treat copyrights as freely marketable goods but instead placed certain limitations on alienability, including limitations on further transfer of copyrights. These limitations arose from the view that literary and artistic works are inalienable extensions of the author's personality. *See generally* Neil Netanel, *Copyright Alienability Restrictions and the Enhancement of Author Autonomy: A Normative Evaluation*, 24 RUTGERS L.J. 347 (1993).

100 *See* RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 230.

101 *See* PLANT, THE ENGLISH BOOK TRADE, *supra* note 24, at 99-100; RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 90-91.

102 *See* MCKITTERICK, 2 HISTORY OF CAMBRIDGE UNIVERSITY PRESS, *supra* note 87, at 151-53.

103 *See id.* at 152-153.

104 *See* O'Rourke, *supra* note 16, at 456.

105 *See* CARL SHAPIRO & HAL R. VARIAN, INFORMATION RULES: A STRATEGIC GUIDE TO THE NETWORK ECONOMY (1999); Jeffrey A. Trachtenberg, *Amazon Rewrites Publishing by Pushing Its Own Books*, WALL ST. J., Jan. 17, 2019, at A1, A8.

106 *See* PLANT, THE ENGLISH BOOK TRADE, *supra* note 24, at 99; RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 299-300, 306-15.

107 *See* MCKITTERICK, 2 HISTORY OF CAMBRIDGE UNIVERSITY PRESS, *supra* note 87, at 152-53, 160.

thor needed access to distribution and sales channels.[108] The things that can be accomplished now with an inexpensive computer, free software, and Internet access, then took hundreds of hours of work and a significant financial investment.[109] Thus, contracts for publishing books[110] provided a critical entry point for authors who wanted to disseminate their ideas widely.

When an author assigned his or her copyright to a bookseller, the bookseller paid and arranged for publication of the author's work, as discussed previously. However, James Raven calls it a "truth easily overlooked" that much of the publication of books resulted from the financing of authors rather than booksellers.[111] Sometimes the author had a patron to pay for printing expenses. The queen, king, noble, a wealthy merchant, the church, or a university might pay for printing.[112] For instance, the Cambridge University Press and the Oxford University Press printed scholarly works paid for by a college of the university.[113] Churches and devout patrons paid for the printing of sermons and other religious works.

Contracts for printing books looked relatively straightforward.[114] They described the terms and conditions for materials (paper, ink, binding), book size (folio, quarto, octavo), illustrations (if any), proofreading obligations, and the quantity of books to be printed. Many contracts specified that the author would receive a certain number of book copies and

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108 *See* ST. CLAIR, THE READING NATION, *supra* note 24, at 36-42.

109 *See* James Raven, *The Book as a Commodity*, *in* 5 CAMBRIDGE HISTORY OF THE BOOK, *supra* note 24, at 102-04; *see also* Jessica Litman, *Real Copyright Reform*, 96 IOWA L. REV. 1, 12, 18-21 (2010) (comparing the role of distributors of copyrighted works in pre-modern and modern times).

110 Although this article focuses on books, the same holds true for pamphlets, newspapers, and other texts.

111 RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 317; MCKITTERICK, 2 HISTORY OF CAMBRIDGE UNIVERSITY PRESS, *supra* note 87, at 160. That said, a few authors such as David Hume, William Blackstone, and James Boswell did become commercially successful by self-publishing at least for a time. *See* RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 242; Bently & Ginsburg, *supra* note 10, at 1498-99.

112 *See* PLANT, THE ENGLISH BOOK TRADE, *supra* note 24, at 100. In fact, receiving the assistance of a patron was often preferred to receiving payment from a publisher because it was seen as being more honorable (as well as being more consistent and reliable). *Id.*

113 *See generally* HISTORY OF THE OXFORD UNIVERSITY PRESS (Simon Eliot ed. 2013); DAVID MCKITTERICK, 1 A HISTORY OF THE CAMBRIDGE UNIVERSITY PRESS: PRINTING AND THE BOOK TRADE IN CAMBRIDGE (1992).

114 *See generally* ST. CLAIR, THE READING NATION, *supra* note 24, at 177-85 (describing the aspects of book manufacturing).

these author-copies were often considered part of the author's remuneration.[115]

Scholars have debated what remuneration paid via copies of books says about the balance of power between authors and booksellers[116] and whether receiving copies rather than royalties was fair compensation to the author.[117] This is an important issue to be sure, but there is another important issue at work: how these author-copies relate to the author's access to the marketplace of ideas.[118]

To understand this point, it is important to re-state the basic distinction between booksellers and printers in the pre-modern era of copyright. Printers manufactured books; booksellers brought books to the marketplace. For books with significant commercial value, booksellers paid for paper and printing and arranged for distribution.[119] If the author received book copies as remuneration, the author also participated in distribution by selling these copies. As such, the author's distribution modestly augmented the bookseller's distribution and amplified the work's impact on the marketplace of ideas.

For books with no commercial value, however, the burden fell largely on the author to instigate publication and arrange for distribution,[120] utilizing the author's network of friends, colleagues, and patrons.[121] We can envision the author-as-publisher role on a sliding scale: for works of great commercial value the author's role as publisher was relatively insignificant, but for works of no commercial value the author's role as publisher was absolutely critical.[122]

In the modern information age, we take it for granted that virtually any author of any work can access the marketplace of ideas. Anyone can blog or post or share his or her sense or nonsense. In the pre-modern era

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115 *See* McKitterick, 2 History of Cambridge University Press, *supra* note 87, at 152-53, 159-160.

116 *See* Plant, The English Book Trade, *supra* note 24, at 218-19 (publishers gave authors copies to share the commercial risk); Curtin, *Transactional Origins*, *supra* note 11, at 193-96 (discussing various implications of providing copies to authors, including risk sharing).

117 *See* Lindenbaum, *Milton's Contract*, *supra* note 18, at 439-54; Lindenbaum, *New Evidence*, *supra* note 18, at 250-61.

118 For most authors, the objective "was to pass on ideas to as many other people as possible." Plant, The English Book Trade, *supra* note 24, at 100.

119 *See* Raven, The Business of Books, *supra* note 16, at 122 (authors relied on the imagination and indulgence of their publishers).

120 *See* McKitterick, 2 History of Cambridge University Press, *supra* note 87, at 151, 160.

121 *See* Raven, The Business of Books, *supra* note 16, at 317; Plant, The English Book Trade, *supra* note 24, at 100.

122 *See* Raven, The Business of Books, *supra* note 16, at 230.

of copyright, it was not so simple.[123] Without publishing contracts and author distribution, works with no commercial value would not reach the mass market.

V. *CHARITY COPIES: EVIDENCE OF BENEFICIAL PRICE DISCRIMINATION IN PRE-MODERN COPYRIGHT CONTRACTS*

In the modern information economy, software developers use contracts to offer users a variety of information products at a variety of price points. Distribution licensing, for example, allows software developers to offer the same software to business users at one price, home users for a lower price, academic users for yet a lower price, and charitable organizations for free.[124] Economists call this "price discrimination."[125] Price discrimination is enforced in the marketplace using contracts between the software developer and its distributors as well as end user licenses.[126]

Even though we associate price discrimination with modern software licensing, we see evidence of its use in pre-modern copyright contracting. In the pre-modern era, many booksellers distributed works on religious or moral topics. For example, in his article on bookseller Brabazon Alymer, Peter Lindenbaum points out that Alymer tended to publish works on certain religious and moral causes.[127] In doing so, Alymer frequently advertised not only his prices for single copies of books but also cheaper prices "to those who are so Charitable as to give away numbers."[128] Lindenbaum concludes that this was common practice for publishers of religious and moral works.[129]

What legal tool did publishers of religious works use to make this sort of charity-copy price discrimination work? The answer has to be contract. Normally, once a copy of a work is sold, the purchaser is free to re-sell the

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123 "Toil, envy, want, the patron and the jail" were the prospects of authors. RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 223 (quoting Samuel Johnson in 1744).

124 *See* Robert W. Gomulkiewicz, *Federal Circuit's Licensing Law Jurisprudence: Its Nature and Influence*, 84 WASH. L. REV. 199, 208 (2009).

125 "Discrimination" normally has a negative connotation, but in this case discrimination has a positive connotation because consumers benefit from lower prices.

126 *See, e.g.*, Apple Inc. v. Psystar Corp., 658 F.3d 1150 (9th Cir. 2011) (end user); ProCD, Inc. v. Zeidenberg, 86 F.3d 1447 (7th Cir. 1996) (end user); Adobe Sys., Inc. v. Stargate Software, Inc., 216 F. Supp. 2d 1051 (N.D. Cal. 2002) (distributor); Adobe Sys., Inc. v. One Stop Micro, Inc., 84 F. Supp. 2d 1086 (N.D. Cal. 2000) (distributor); Microsoft Corp. v. Grey Comput., Inc., 910 F. Supp. 1077 (D. Md. 1995) (distributor); Microsoft Corp. v. Harmony Computs. & Elecs., Inc., 846 F. Supp. 208 (E.D.N.Y. 1994) (distributor).

127 Lindenbaum, *Mysteries of the Trade*, *supra* note 12, at 37-38.

128 *Id.* at 38.

129 *Id.* at 38 n.16.

copy to anyone at any price. This is known as a first sale or an exhaustion of the copyright.[130] Consequently, at least as far as copyright law is concerned, anyone could purchase low-priced copies intended for charity and, instead, sell those copies to anyone else at market price.[131] The way to make price discrimination stick, therefore, is by using a contract.[132] Booksellers used a variety of devices to maintain the price discrimination for charitable distribution, including membership agreements,[133] subscription agreements,[134] and distribution agreements.[135] All of these devices involved some variety of contracting.

VI. CONTRACTS IN THE SHADOW OF THE PUBLIC DOMAIN AND OF LETTERS PATENT FOR LAW BOOKS

Drawing on archival sources, this Section uses two case studies to explore the importance of contracts in the face of the ability to exclude copying at both ends of the spectrum: on the one end, where no legal right to exclude existed due to lapsed copyright protection, and on the other end, where a potentially strong right to exclude existed based on letters patent for law books.

A. The Public Domain: John Milton's Poetical Works in 1801

John Nichols was one of the leading British booksellers in the late eighteenth and early nineteenth century.[136] The Nichols copyright account book is in the A.N.L Munby papers of the Cambridge University Library.[137] One particularly striking feature of the Nichols account book is a notation about John Milton's Poetical Works — striking not only because of its historical interest (many consider Milton to be one of England's greatest authors, most famous for his epic poem *Paradise Lost*[138]), but also because of what it teaches us about the importance of contracts for distributing works of authorship.

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130 *See* Robert W. Gomulkiewicz, *Is the License Still the Product?*, 60 ARIZ. L. REV. 425 (2018) [hereinafter Gomulkiewicz, *License Still the Product*].

131 *See generally* Tomás Gómez-Arostegui, Patent and Copyright Exhaustion Circa 1800 (2017), *at* http://ssrn.com/abstract=2905847.

132 Societal customs and norms may also have been at work.

133 *See* Scott Mandelbrote, *The Publishing and Distribution of Religious Books by Voluntary Associations: from the Society for Promoting Christian Knowledge to the British and Foreign Bible Society*, *in* 5 CAMBRIDGE HISTORY OF THE BOOK, *supra* note 24, at 618.

134 *See id.* at 627-28.

135 *See id.* at 623-24

136 *See* RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 164.

137 *See* NICHOLS, *supra* note 61.

138 *See* WILLIAM HAYLEY, LIFE OF MILTON IN THREE PARTS (London, Cadell & Davies 1796).

My transcription of the notation adjacent to the entry *Milton's Poetical Works* is as follows:

> At a meeting of the Booksellers, Jan. 21, 1801, it was stated that this Work [Milton's Poetical Works] was not the property of any particular Booksellers, having been long given up. A new Edition issue was proposed, agreed to, and subscribed for and Mr Davies accordingly put our names down for a 20th [share]—Paid a sum June 15, 1803 for Paper of 25 l(?)[139]—by Note at 2 months due Aug. 18, 1803.[140]

Later, Nichols records under the heading *Milton's Poetical Works*:

> 1/20th
> Rec' this share
> in 1803

At first blush, the absence of copyright protection would seem to be a boon for Milton's poetical works. These poems were in the public domain, royalty free for the taking. However, in practical reality, if everyone could publish the poems, then booksellers needed to calculate carefully before making the investment to publish. As the notation in the Nichols account book illustrates, booksellers sometimes addressed the economic realities of publishing a work or an edition of a work by forming a joint venture, spelling out who would invest in publication and how much.[141] As Hugh Amory has explained, such bookseller partnerships competed against cheap editions by creating "a luxury product, competing on quality instead of price."[142] Consequently, agreements among booksellers, such as the agreement referenced in the Nichols account book,[143] contributed to the continuing vitality of works out of copyright, such as Milton's poems.[144]

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139 This may be a reference to so-called *royal paper* which measured 25x20 inches.

140 Munby Archive Add 8226, at tab M1, Cambridge University Library.

141 *See* Hugh Amory, "De Facto *Copyright*"? *Fielding's* Works *in Partnership, 1769–1821*, 17 EIGHTEENTH CENTURY STUDIES 449 (1984). Some scholars argue that these partnerships, called "congers," resulted in a de facto copyright, which produced the downsides of monopolies, but Hugh Amory's scholarship points out the positive attributes of the partnerships and expresses skepticism about the de facto copyright label and the extent of the concerns expressed by other scholars. *See id.* at 453-55, 458, 466-68 (reviewing the literature on de facto copyright, especially the views of Graham Pollard and Terry Belanger).

142 *Id.* at 465. The bookseller partnerships distinguished their editions with engraved plates or royal paper and occupied "the upper end of the market for the same profit at a lower volume." *Id.* at 468.

143 I have not located a formal contract documenting the joint venture agreement referenced in the Nichols account book.

144 A bookseller joint venture likely also contributed to the vitality of Milton's works of prose. Nichols records the following in reference to Milton's prose works: "This work has since been allotted to new Partners of which Mr Nichols now holds 1/20th Share." Munby Archive Add 8226, at tab Y26, Cambridge University Library.

B. *Letters Patent for Law Books: Sir Edward Coke's* Institutes of the Laws of England

Sir Edward Coke has been called the oracle of English law.[145] He served as Queen Elizabeth I's Attorney General and as Chief Justice of the Court of Commons Pleas and of the King's Bench.[146] However, he is perhaps best known for authoring two legal texts: *The Reports*[147] and *The Institutes of the Laws of England*.[148] *The Reports* are Coke's accounts of and commentary on nearly 600 cases in the English courts.[149] Coke published the first three *Reports* around 1600 and the next eight *Reports* between 1603 and 1615. The last two *Reports* were published after Coke's death in 1634.

The *Institutes* is Coke's treatise, which draws principles from cases in the *Reports*, written to instruct students in English law.[150] This treatise and the *Reports* provided the core instructional texts for English and North American law students well into the nineteenth century and are still considered some of the most authoritative sources of English law.[151] The treatise is in 4 parts, organized by categories of law. The first part covers real property law and is framed as Coke's commentary on Littleton's *Treatise on Tenures*.[152] The second part provides Coke's commentary on the *Magna Carta* and certain other important English and medieval stat-

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145 *See* HASTINGS LYON & HERMAN BLOCK, EDWARD COKE: ORACLE OF THE LAW (1929) [hereinafter LYON & BLOCK, EDWARD COKE]; CATHERINE DRINKER BOWEN, THE LION AND THE THRONE: THE LIFE AND TIMES OF SIR EDWARD COKE 516 (1956) [hereinafter DRINKER BOWEN, THE LION] (referring to Coke as a great oracle of the law).

146 *See* DRINKER BOWEN, THE LION, *supra* note 145, at 77-89, 277-90, 338-41. Even though the Chief Justice of King's Bench is known in common parlance as the Chief Justice of England, Coke would have preferred to remain as Chief Justice of Common Pleas. *Id.* at 340-341.

147 Other lawyers also wrote reports, such as Plowden and Dyer, but Coke's reports are so venerable that they are known simply as *The Reports*. *Id.* at 72. *See generally* Theodore F.T. Plucknett, *The Genesis of Coke's Reports*, 27 CORNELL L.Q. 190 (1942).

148 JOHN HOSTETTLER, SIR EDWARD COKE: A FORCE FOR FREEDOM 149 (1997) [hereinafter HOSTETTLER, SIR EDWARD COKE].

149 DRINKER BOWEN, THE LION, *supra* note 145, at 72, 505-07; HOSTETTLER, SIR EDWARD COKE, *supra* note 148, at 149-50, 159.

150 HOSTETTLER, SIR EDWARD COKE, *supra* note 148, at 159. The word "institute" is used in the sense of a text intended to institute (i.e., instruct) students in the knowledge of the law. *Id. See also* THOMAS WOOD, AN INSTITUTE OF THE LAWS OF ENGLAND (Savoy, E. Nutt et al. 2d ed. 1724).

151 HOSTETTLER, SIR EDWARD COKE, *supra* note 148, at 149; DRINKER BOWEN, THE LION, *supra* note 145, at 72.

152 HOSTETTLER, SIR EDWARD COKE, *supra* note 148, at 160-64; LYON & BLOCK, EDWARD COKE, *supra* note 145, at 346-48.

utes.[153] The third part covers criminal law and the fourth the jurisdiction of English courts.[154]

Although we now think of Coke as the lion of English law, he was dismissed from the King's Bench when he fell out of favor with King James I.[155] Coke then devoted his energy to serving in Parliament (including work on the monumental Right of Petition legislation) until his retirement in 1629 when King Charles I dissolved Parliament.[156] Coke used his retirement to write the final three parts of the *Institutes*.

As Coke was on his deathbed in 1634, the Privy Council of King Charles I ordered the search of Coke's house and law chambers. More than fifty manuscripts were seized, including manuscripts of the four *Institutes* and manuscript notes for his last two *Reports*.[157] The King suppressed publication of Parts II, III, and IV of the *Institutes* because he believed publication could undermine his royal prerogative.[158] Consequently, these volumes of the *Institutes* were not published until after a 1641 act of Parliament[159] ordered the return of Coke's papers to Sir Robert Coke, Edward's son and heir, and gave Robert Coke a copyright to publish the *Institutes*.[160] Robert Coke delegated publication to third parties and Part II was published in 1642 and Parts III and IV in 1644.[161]

By 1668, John Turner, Esq., came to hold certain printing rights in Parts II, III, and IV of Coke's *Institutes*. Born in Kirkleatham, York, and educated at Sidney Sussex College, University of Cambridge, Turner entered the Middle Temple in 1634 and was called to the bar in 1639. He became Recorder (official town counsel) of York in 1662 and was made a

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153 HOSTETTLER, SIR EDWARD COKE, *supra* note 148, at 171-90; LYON & BLOCK, EDWARD COKE, *supra* note 145, at 348.

154 HOSTETTLER, SIR EDWARD COKE, *supra* note 148, at 191-202; LYON & BLOCK, EDWARD COKE, *supra* note 145, at 349-50 .

155 *See* DRINKER BOWEN, THE LION, *supra* note 145, at 370-90. *See generally* ALLEN D. BOYER, SIR EDWARD COKE AND THE ELIZABETHAN AGE (2003).

156 *See* DRINKER BOWEN, THE LION, *supra* note 145, at 435-504.

157 *See* J.H. Baker, *Coke's Note-books and the Sources of His Reports*, 30 CAMBRIDGE L.J. 30, 78-80 (1972) [hereinafter Baker, *Coke's Note-books*].

158 HOSTETTLER, SIR EDWARD COKE, *supra* note 148, at 202; DRINKER BOWEN, THE LION, *supra* note 145, at 516. The first volume of the *Institutes*, published in 1628, was the only volume published during Coke's lifetime. HOSTETTLER, SIR EDWARD COKE, *supra* note 148, at 160-64; LYON & BLOCK, EDWARD COKE, *supra* note 145, at 346.

159 HOSTETTLER, SIR EDWARD COKE, *supra* note 148, at 202; DRINKER BOWEN, THE LION, *supra* note 145, at 533-34.

160 *See* Baker, *Coke's Note-books*, *supra* note 157, at 80.

161 *See* W.A. Atkinson, *The Printing of Coke's Institutes*, 162 THE LAW TIMES 435 (1929).

Serjeant-at-Law by King Charles II in 1669.[162] Turner had a large house in London's upscale Salisbury Court, but in 1669 he and his family went to live in Yorkshire.[163]

On June 23, 1668, Turner entered into a contract with booksellers Thomas Irving and Thomas Basset,[164] granting them permission to print 11,000 copies of Parts II, III, and IV of Coke's *Institutes*.[165] For their part, Irving and Basset agreed to pay Turner two £100 installments, one due on November 26, 1668, and one due on May 26, 1669.[166] However, there was a serious complication to this arrangement that the parties needed to address at this time: Richard and Edward Atkins held letters patent to publish books on the laws of England.[167] We see this concern implicit in the fourth article of the contract:

> Fourthly, by colour of Letters Patent made by the late King James of famous memory to John Moore deceased and by King Charles the Second to Richard and Edward Atkins Esq. [insert: by the said Richard and Edward Atkins] and other persons to have the sole power of printing all books concerning the common laws of England . . . .[168]

Letters patent were monopolies granted by the crown to a person to control a certain good or service. Sometimes the crown granted patents to encourage inventive activity or promote the development of a certain industry, but other times they were granted to reward courtiers.[169] For in-

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162 *See* THE COURT-REGISTER AND STATEMAN'S REMEMBRANCER 149 (London, R. Gosling 1733). A *Serjeant-at-Law* was an elite barrister, appointed by the King or Queen, who had the exclusive right to plead cases at the bar of the Court of Common Pleas and, upon appointment, became eligible to serve as a judge. *See* DRINKER BOWEN, THE LION, *supra* note 145, at 62. Some sources list John Turner as a *King's* Serjeant-at-Law which would make him a legal advisor to King Charles II. *See* L&M Companion entry for Turner, John and Jane, THE DIARY OF SAMUEL PEPYS, https://www.pepysdiary.com/encyclopedia/1858/ [https://perma.cc/GRQ6-5TDB] (last visited Dec. 17, 2018) [hereinafter THE DIARY OF SAMUEL PEPYS].

163 *See* THE DIARY OF SAMUEL PEPYS, *supra* note 162.

164 Thomas Basset was known as a publisher of law books, especially the *Catalogue of Law Books*. One of the most famous London stationers, Jacob Tonson, apprenticed with Basset. *See* PLOMER, DICTIONARY OF PRINTERS AND BOOKSELLERS, *supra* note 58, at 16.

165 University of Leeds Special Collections, YAS/DD148/83. I am deeply grateful to Kirsty McHugh, Curator of the Murray Archive and Publishers' Collection, National Library of Scotland, for directing me to these Turner documents in the University of Leeds Special Collections.

166 *Id.*

167 *Id.*

168 *Id.*

169 *See generally* JOAN THIRSK, THE DEVELOPMENT OF A CONSUMER SOCIETY IN EARLY MODERN ENGLAND 52-59, 94-95 (1978); LINDA LEVY PECK, CONSUMING SPLENDOR: SOCIETY AND CULTURE IN SEVENTEENTH CENTURY ENGLAND 136-37 (2005); DEBORAH E. HARKNESS, THE JEWELL HOUSE: ELIZABETHAN LONDON

stance, the famous Elizabethan courtier Sir Walter Raleigh held a patent for playing cards.[170]

Granting a printing monopoly for law books began with King Edward VI.[171] In January of 1618, John More, Esq. (also spelled "Moore")[172] acquired a forty year[173] patent right from King James I to print all books that concerned the English common law.[174] John More likely gained this particular patent from the crown by being the highest bidder for the patent right.[175] This reveals another important reason why the crown sometimes granted patents—to raise revenue outside of Parliament's subsidies. Then, More assigned his patent right[176] to Miles Fletcher for an annual payment of £60 and one third of Fletcher's profits.

John More died in 1638, leaving his annuity from the law book patent to his daughter Martha who was married to Richard Atkins (also spelled "Atkyns").[177] When Fletcher attempted to evade payment of the annuity, Martha and Richard Atkins sued him in the Court of Chancery to recover the payments.[178] Following the restoration of King Charles II after the

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AND THE SCIENTIFIC REVOLUTION 150-54 (2007); PAUL SLACK, THE INVENTION OF IMPROVEMENT: INFORMATION AND MATERIAL PROGRESS IN SEVENTEENTH CENTURY ENGLAND 57, 230, 236-38 (2015). In particular, patents were used to foster and reward loyalty to the crown. PLANT, THE ENGLISH BOOK TRADE, *supra* note 24, at 102; *see* RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 66-68 (the crown granted certain individuals the copyrights for certain types of books).

170 RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 75.

171 *See generally* J.A. Baker, *English Law Books and Legal Publishing*, *in* 4 CAMBRIDGE HISTORY OF THE BOOK IN BRITAIN 474-503 (John Barnard and D.F McKenzie eds., 2002).

172 *See* PLOMER, DICTIONARY OF THE PRINTERS AND BOOKSELLERS WHO WERE AT WORK IN ENGLAND, SCOTLAND AND IRELAND FROM 1641–1667, *supra* note 58, at 131-32.

173 Copyrights for books obtained by registering them on the Stationer Company's ledger were essentially perpetual before the Statute of Anne but patents granted by the crown tended to be for a certain term of years. RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 75.

174 *Id.*

175 *Id.*

176 It was common practice for royal patent holders to assign or lease their rights to others. *See id.* at 75-77; *see also* Wilfrid Prest, *Law Books*, 5 CAMBRIDGE HISTORY OF THE BOOK, *supra* note 24, at 803 (describing how Richard Strahan acquired a one-half interest in the law book patent in 1762 from Samuel Richardson's widow and that Thomas Beever published as an assignee of Richard and Edward Atkins' law book patent).

177 *See* PLOMER, DICTIONARY OF PRINTERS AND BOOKSELLERS WHO WERE AT WORK IN ENGLAND, SCOTLAND AND IRELAND FROM 1668–1725, *supra* note 58, at 131-32. *See also* Stationers v. Patentees 124 ENG. REP. 842-44 (C.P. 1666) (addressing the Atkins law book patent).

178 Not only did Fletcher refuse to pay Martha and Richard Atkins their annuity, he attempted to procure superseding rights from More's son; and Fletcher also

English civil war, Atkins ultimately prevailed in the litigation, receiving a decree against Fletcher for payments in arrears.[179] Richard Atkins and Sir Edward Atkins, who served as a Member of Parliament and Chief Baron of the Exchequer, continued to control the patent for law books during the reign of Charles II.[180]

Undoubtedly booksellers Irving and Basset feared that Richard and Edward Atkins might interfere with or reduce the value of the rights that they received from Turner.[181] The parties used two contractual techniques to address the issue. First, Turner agreed that there would be an abatement of the payments to Irving and Basset in the event Richard or Edward Atkins produced a rival edition of the *Institutes* before Basset or Irving; and second, Turner agreed to "keep" Irving and Basset "harmless and indemnified" in the event the Richard or Edward Atkins sued under color of their patent.[182]

Then, on July 20, 1677, Turner assigned[183] all of his printing rights in the *Institutes* to Thomas Basset for £150.[184] Basset went on to successfully publish Coke's *Institutes,*[185] which, of course, became one of the most important and successful works on English law.[186] Given his assignment of rights for a flat fee, Turner did not get to share in the ongoing revenues associated with Basset's publishing success. Why would Turner assign his rights in such a valuable work to Basset?

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made an oral assignment of his rights to the Company of Stationers for a cash payment, but refused to carry out the assignment following the Atkins victory in the Court of Chancery. *See* PLOMER, DICTIONARY OF PRINTERS AND BOOKSELLERS WHO WERE AT WORK IN ENGLAND, SCOTLAND AND IRELAND FROM 1668–1725, *supra* note 58, at 131-32.

179 *See id.* at 8-9 (citing the bill of complaint in *Stationers v. Fletcher*, C9/31/126, no. 1 (Ch. 1664)).

180 *See* ALEX MARSHALL, THE SURPRISING DESIGN OF MARKET ECONOMIES 81-82 (2012).

181 The contract also refers to possible interference by "other persons," which may be a reference to Martha Atkins or to licensees of Richard or Edward Atkins.

182 University of Leeds Special Collections, YAS/DD148/83.

183 Turner and Basset used an Indenture for this transaction rather than Articles of Agreement as Turner, Basset, and Irving used in the prior transaction. *Compare* University of Leeds Special Collections, YAS/DD148/83 *with* YAS/DD148/88. Indentures were sealed deeds. *See* A.W.B. SIMPSON, A HISTORY OF THE COMMON LAW OF CONTRACT: THE RISE OF THE ACTION OF ASSUMPSIT 35-36 (1987) (discussing use of indentures).

184 University of Leeds Special Collections, YAS/DD148/88.

185 Thomas Basset is listed as a publisher of the Fourth Edition (1669–71) and the publisher of the Sixth Edition (1680–84) of Parts II, III, and IV the *Institutes*.

186 DRINKER BOWEN, THE LION, *supra* note 145, at 509 (noting that through three centuries the treatise was reissued many times and that the first American edition was based on the sixteenth London edition).

Turner used contracting to structure his involvement in publishing the *Institutes* in a thoughtful manner. When he lived in London and was engaged with the legal community there, it made sense for him to have some active involvement in the publishing process in partnership with booksellers Irving and Basset. However, once he moved to Yorkshire, Turner probably wanted to exit the publishing business altogether, leaving all publishing burdens to Basset.[187] Then, as today, an assignment of rights is a logical form of contractual transaction to accomplish this business outcome.[188] To put it another way, the legal right to print the *Institutes* was important, to be sure, but the contracts used by Turner and Basset to commercialize Coke's works were just as important to right-sizing the business relationship for the interests both parties.

C. General Observations and Conclusions

Potential publishers of Milton's poetry and Coke's treatise faced copyright uncertainty at opposite ends of the spectrum: for John Nichols, the absence of a strong legal monopoly in Milton's poetry and, for Thomas Basset, the presence of a potentially strong legal monopoly (letters patent) in Coke's *Institutes*.

Given nonexistent copyright protection, Nichols surely had the right to publish Milton's poems but he questioned whether publication would make sound business sense. The risks of slow selling books were real with many spectacular failures in the pre-modern era of copyright.[189] Faced with this business reality, Nichols and other booksellers used contracting to create a business framework that allowed them to profit from publication. Booksellers often formed syndicates to share investments and spread risks.[190] These contractual frameworks helped encourage booksellers to publish or re-publish works and thus help invigorate them in the marketplace of ideas.

Thomas Basset faced two significant obstacles to publishing the *Institutes*: Turner's rights and the Atkins' rights. Basset could not move forward from a business point of view unless he surmounted these obstacles. Basset gained freedom to operate using contracts, first by structuring a

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187 In addition, the flat fee paid by Basset to Turner was significant, the equivalent of around $20,000 in today's dollars.

188 *See* ROBERT W. GOMULKIEWICZ, XUAN-THAO NGUYEN & DANIELLE CONWAY, LICENSING INTELLECTUAL PROPERTY: LAW & APPLICATION 19 (4th ed. 2018) (providing an overview of assignments of rights); RAYMOND T. NIMMER & JEFF C. DODD, MODERN LICENSING § 5:3 (2017); Barefoot Architect, Inc. v. Bunge, 632 F.3d 822, 831 (3d Cir. 2011).

189 *See* RAVEN, THE BUSINESS OF BOOKS, *supra* note 18, at 97-100. *See also* O'Rourke, *supra* note 8, at 438.

190 *See* RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 126.

license contract with John Turner that granted Basset license rights but hedged against devaluation of those license rights; and then by acquiring Turner's rights via an assignment contract but at a price that made sense given that Basset might have to contend with the Atkins' law book patent. We know that Basset was ultimately successful because he is listed as a publisher of the Fourth Edition (1669–71) and the Sixth Edition (1680–84) of Parts II, III, and IV of the *Institutes*. Consequently, Basset played an important role in spreading Sir Edward Coke's ideas in Great Britain and, ultimately, to the fledgling United States of America.

The lesson to be learned from the contractual relationships revealed in the John Nichols account book and the John Turner contract documents is that, before and after the Statute of Anne, contracting mattered as much as copyrighting. The absence or presence of copyright protection played an important role to be sure, because the contracts operated against a backdrop of assumptions about the strength of propriety rights.[191] Regardless of the strength of proprietary rights, however, the parties used contracts to right-size the balance of rights and bring works of authorship to the marketplace of ideas.

VII. MODERN APPLICATIONS AND POLICY IMPLICATIONS

A. Software License Contracts

Uncertainty about copyright protection for works of authorship continues in the modern information age. Legal protection for software provides a good illustration. The U.S. Copyright Office initially expressed doubt about whether software could be registered due to its utilitarian nature.[192] In 1974, Congress established a commission to study whether copyright should protect software[193] and, in 1980, Congress amended the Copyright Act to add a definition of "computer program" and allow for certain archival copies and adaptations of software.[194]

However, Congress's action did not end the debate about the copyrightability of software.[195] In 1982, Franklin Computer challenged the copyrightability of Apple Computer's operating system software in

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191 For a modern example, *see* Maureen A. O'Rourke, *Bargaining in the Shadow of Copyright After* Tasini, 53 CASE W. RES. L. REV. 605 (2003).

192 *See* ROBERT W. GOMULKIEWICZ, SOFTWARE LAW AND ITS APPLICATION 15 (2d ed. 2018).

193 National Commission on New Technological Uses of Copyright Works, commonly known as "CONTU." *Id.*

194 *See* H.R. REP. NO. 1307, 96th Cong., 2d Sess. 23, *reprinted in* 1980 U.S.C.C.A.N. 6460, 6482.

195 *See* Pamela Samuelson, *CONTU Revisited: The Case Against Copyright Protection for Computer Readable Programs in Machine Readable Form*, 1984 DUKE L.J. 663 (1984).

federal court.[196] The Third Circuit ruled that software source code, object code, and visual displays could be protected by copyright.[197] However, the *Apple v. Franklin* decision did not end questions about software copyrights either. Other cases challenging copyright protection for software followed,[198] with important issues about copyright protection for software still alive and well today in the *Oracle v. Google* case.[199]

How did the software industry respond to the uncertainty about copyright protection? Software publishers used the same legal tool as booksellers in the pre-modern copyright era: contracts. For example, commercial software publishers began using end user license agreements ("EULAs") to bring their products to market using a variety of creative business models.[200] Software publishers used EULAs to right-size business relationships in the face of potentially weak copyright protection.[201]

The "free software" movement began using license contracts such as the General Public License ("GPL") to limit distribution of licensed software to only those who agree to "share alike."[202] The GPL is a contract used to right-size business relationships in the face of potentially strong copyright (and patent) protection for software.[203] So, whether the concern is too much or too little protection from copyright, contracting plays a critical role in the modern information age just as it did in the pre-modern era of copyright.[204]

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196 Apple Comput. Inc. v. Franklin Comput. Corp. 714 F.2d 1240 (3d Cir. 1983).

197 *Id.*

198 *See, e.g.*, Whelan Assocs., Inc. v. Jaslow Dental Lab., Inc., 797 F.2d 1222 (3d Cir. 1986); Comput. Assocs. Int'l, Inc. v. Altai, Inc., 982 F.2d 693 (2d Cir. 1992); Gates Rubber Co. v. Bando Chem. Indus., Ltd, 9 F.3d 823 (10th Cir. 1993); Lotus Development Corp. v. Borland Int'l, Inc., 49 F.3d 807 (1st Cir. 1995).

199 Oracle Am., Inc. v. Google Inc., 750 F.3d 1339 (Fed. Cir. 2014).

200 *See* Adobe Sys. Inc. v. Christenson, 809 F.3d 1071, 1080 (9th Cir. 2015); Apple, Inc. v. Psystar Corp., 658 F.3d 1150 (9th Cir. 2011); MDY Indus., LLC v. Blizzard Entm't, Inc., 629 F.3d 928 (9th Cir 2010); ProCD, Inc. v. Zeidenberg, 86 F.3d 1447 (7th Cir. 1996); *see also* Gomulkiewicz, *License Is the Product*, *supra* note 5.

201 *See* Robert W. Gomulkiewicz & Mary L. Williamson, *A Brief Defense of Mass Market Software License Agreements*, 22 RUTGERS COMPUTER & TECH. L.J. 335 (1996).

202 *See* David McGowan, *Legal Implications of Open-Source Software*, 2001 U. ILL. L. REV. 241 (2001); Robert W. Gomulkiewicz, *Debugging Open Source Software Licensing*, 64 U. PITT. L. REV. 75 (2002); Greg R. Vetter, *The Collaborative Integrity of Open-Source Software*, 2004 UTAH L. REV. 563.

203 *See* David McGowan, *The Tory Anarchism of F/OSS Licensing*, 78 U. CHI. L. REV. 207 (2011); Greg R. Vetter, *Commercial Free and Open Source Software: Knowledge Production, Hybrid Appropriability & Patents*, 77 FORDHAM L. REV. 2087 (2009); Robert W. Gomulkiewicz, *General Public License 3.0: Hacking the Free Software Movement's Constitution*, 40 HOUS. L. REV. 1015 (2005).

204 *See* Curtin, *Hackers and Humanists*, *supra* note 11.

B. The First Sale Debate

Under the U.S. Copyright Act's first sale doctrine, a copyright holder's exclusive right to distribute copies ends for any given copy after the owner's sale of that copy.[205] As codified in § 109(a) of the Copyright Act, the "owner of a particular copy" may sell or dispose of the copy without the copyright holder's permission.[206] The first sale doctrine only applies to *owners* of copies; it does apply to a person who possesses a copy without owning it.[207] However, many commentators have urged an expansive application of the first sale privilege[208] and the Supreme Court's recent decision in *Impression Products v. Lexmark*[209] potentially points in that direction.[210] An expansive view of the first sale doctrine could affect both distribution contracts for software and various end user pricing models.[211]

However, lessons learned from the pre-modern era of copyright can provide valuable lessons for the modern information age. At one level, the free transferability of copyrights often proved invaluable in bringing books to market in the pre-modern era, as explored in Section III. However, at a deeper level, we see that authors and consumers of books benefited the most when publishers could use contracts to right-size the ways and means of bringing books to market, especially in the contracts between publishers and in the downstream aspects of author-publisher contracts. Ultimately, flexible contracting practices best served the policy goal of a robust marketplace of ideas through the pervasive distribution of books of many types.[212]

Fortunately, the United States Copyright Act allows modern copyright holders to use a variety transaction models.[213] This flexibility is pre-

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205 *See* Gomulkiewicz & Williamson, *supra* note 201, at 350-51.

206 17 U.S.C. § 109(a) (2018).

207 *See* Gomulkiewicz, *License Still the Product*, *supra* note 130.

208 *See, e.g.*, AARON PERZANOWSKI & JASON SCHULTZ, THE END OF OWNERSHIP (2016); Guy A. Rub, *Rebalancing Copyright Exhaustion*, 64 EMORY L.J. 741 (2015); Brian W. Carver, *Why License Agreements Do Not Control Copy Ownership: First Sales and Essential Copies*, 25 BERKELEY TECH. L.J. 1887 (2010); John A. Rothschild, *The Incredible Shrinking First Sale Rule: Are Software Resale Limits Lawful?*, 57 RUTGERS L. REV. 1 (2004).

209 Impression Products, Inc. v. Lexmark Int'l, Inc., 137 S. Ct. 1523 (2017).

210 *See* Gomulkiewicz, *License Still the Product*, *supra* note 130.

211 *Id.*

212 *See* David McGowan, *The Unfallen Sky*, 51 HOUS. L. REV. 337, 373-74 (2013) (highlighting the risk of mandatory rules that limit freedom to choose approaches that suit particular business needs). *See also* PERZANOWSKI & SCHULTZ, *supra* note 208, at 169 (extolling the benefits of first sale transactions but, ultimately, emphasizing the importance of meaningful choice in transaction models).

213 *See* 17 U.S.C. §§ 109(b)(1)(a), (d), 203 (2018) (referring to exclusive and non-exclusive grants of a transfer or license of a copyright or any right under a copy-

scient. By leaving room for business model innovation, Congress has supported the innovative contracting practices used in modern software licensing just as English copyright law supported pre-modern book selling practices.[214]

VIII. CONCLUSION

Scholars have shed valuable light on modern copyright law by exploring the history of copyright protection, especially developments in Great Britain before and after passage of the 1710 Statute of Anne.[215] Scholars have also begun to appreciate the fundamental role that contracts played in the copyright equation. This article contributes to that understanding by showing that the network of contracts between British booksellers and the related downstream aspects of author-bookseller contracts formed the legal infrastructure for the mass distribution of works of authorship. Thus, contracts advanced one of the fundamental goals of copyright: the spread of ideas and information throughout society. Indeed, contracts were particularly critical when the strength of copyright protection was particularly uncertain.

Yet the importance of contracts did not end with the pre-modern era of copyright. Contracts continue to matter as much as copyrights in the modern information economy. Contracts give copyrights vitality. By enabling the sharing of ideas and information, contracts foster both technological and business model innovation. This insight is valuable for today's judges and lawmakers who will make decisions about innovation policy, including the scope of copyright law's first sale doctrine and the enforceability of software license agreements.

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right); *see also id.* § 204 (referring to transferring ownership and licensing); Quality King Distribs., Inc. v. L'anza Reserch Int'l, Inc., 523 U.S. 135, 146-47 (1998) (referring to bailment, consignment, and licensing).

[214] Pre-modern commentators complained about British booksellers and their business practices, *see* RAVEN, THE BUSINESS OF BOOKS, *supra* note 16, at 6, 351, just as modern commentators complain about American software licensors; *see also* Gomulkiewicz, *Getting Serious*, *supra* note 14, at 687-88. Modern commentators also complain about powerful booksellers. *See* David Steitfeld, *Sellers in Amazon's Bookstore Feel Beaten up by Counterfeit Wild West*, SEATTLE TIMES, June 24, 2019, at A1, A4.

[215] *See, e.g.*, Tomás Gómez-Arostegui, *The Untold Story of the First Copyright Suit under the Statute of Anne in 1710*, 25 BERKELEY TECH. L.J. 1247 (2010).

THE NEW DEVELOPMENT OF THE PRELIMINARY INJUNCTION INSTITUTION IN CHINA

by LING YU*

ABSTRACT

Since 2001, when the institution of the preliminary injunction (PI) was introduced in China, there have been disputes over the scope of its application, subjects eligible to apply, procedures of the review, consideration factors, identification of a wrong application, and the removal of the preliminary injunction measures. The institution is, therefore, infrequently applicable in practice. In 2018, the Supreme People's Court of China clarified these issues in a new judicial interpretation. This article analyzes the substantive and procedural rules established in the new interpretation based on the Chinese courts' judgments since 2001 when the institution was introduced. Regarding the substantive rules, there are four factors that determine the necessity of the application of the injunction. Concerning the procedural rules, communication is regarded as principle, with no communication as an exception. The determination of the wrong application is based on the no-fault liability principle. The new developments demonstrate the transformation of judicial policy from "active and cautious" to "positive and reasonable."

Introduction

Since China joined the World Trade Organization (WTO), the PI[1] institution was introduced into the intellectual property protection system nearly nineteen years ago. For a long time, the standard of review was not clear in substantive law and judicial interpretation. The standards adopted by local courts were inconsistent, the provisional injunction was rarely applicable in practice, and there were few applications. According to the official statistics, from 2001 to 2017, the number of applications relating to intellectual property rights accepted by courts at all levels was only 1,177.[2]

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[1] The Preliminary Injunction is categorized as one type of what is called "*Xingwei Baoquan*" (literally translated as "Conduct Preservation") under Chinese law.

[2] The specific volume of application and support rate for each year can be found in Table 1 in the following section.

In 2018, the Supreme People's Court issued a new judicial interpretation, officially titled "Provisions of the Supreme People's Court on Several Issues Concerning the Application of Laws in the Examination of Conduct Preservation (Provisional Injunction) Cases Involving Intellectual Property Disputes"[3] ("Provisions") to standardize guidance on the substantive and procedural rules for preliminary injunction in intellectual property cases. The Provisions include four parts: (1) procedural rules, including the application subject, the competent court, the matters specified in the application, the review procedures, the reconsideration, and the enforcement of the PI measures; (2) substantive rules, including the consideration of the necessity of the PI, the guarantee, and the validity period; (3) determination of the wrong application, counter-compensation lawsuits, and the release of PI measures; and (4) handling of the applications for different types of PIs at the same time, and other issues, such as the handling of previous judicial interpretations.

This article will evaluate the new standards of the PI established by the Provisions based on the judicial policies and judicial practices since the introduction of the PI in the intellectual property protection system in China.

I. HISTORY: LEGISLATION, JUDICIAL INTERPRETATION, AND JUDICIAL POLICY

In order to fulfill the WTO commitments, China added the relevant regulations of the PI to the Patent Act, the Trademark Act, and the Copyright Act, with reference to Article 50 of the TRIPs Agreement,[4] which allows the courts to issue a pre-suit PI to prohibit the party against whom the application is filed from committing certain acts, and the infringement of intellectual property rights could be suspended before the lawsuit. The Supreme People's Court then issued two judicial interpretations on patent infringement and trademark infringement cases.[5]

The Civil Procedure Act, amended in 2012, uniformly stipulates the PI system, extending the scope of application to the entire civil litigation

[3] The Judicial Committee of the Supreme People's Court, Fashi (Judicial Interpretation) [2018] No. 21 (Nov. 26, 2018; eff. Jan. 1, 2019).

[4] Patent Law art. 66 (amended in 2008); Trademark Law art. 65 (amended in 2019); Copyright Law art. 50 (amended in 2010).

[5] Several Provisions of the Supreme People's Court on the Application of Laws to Pre-Trial Injunction to Cease Patent Infringements (June 7, 2001; eff. July 1, 2001); Interpretation of Supreme People's Court on the Application of Laws to Pre-Suit Injunction to Cease the Infringement upon Exclusive Right to Use of Registered Trademarks and Pre-Trial Preservation of Evidence (Feb. 25, 2001; eff. Jan. 22, 2002).

field,[6] and adding provisions to order the respondent to take certain actions. This establishes a relatively complete concept of the PI, which means that before the final judgment is made, the Chinese courts may order the party to perform certain acts or prohibit the party from committing certain acts.

From 2001 to 2017, Chinese courts at all levels accepted 1,177 cases involving the application for PI relating to intellectual property disputes, among them the courts of Guangdong Province, which accepted a relatively high number of cases, while the Beijing courts were relatively conservative.[7]

Table 1 Overview of the Pre-Suit PI from 2001–2017

year	The number of applications	actual support rate (approval granted)
2001–2005.10	300	88.98%[8]
2002–2006.10	430	83.17%[9]

[6] The legislation of the Civil Procedure Act (Trial) in 1982 mainly referred to the ninth chapter of the Soviet Civil Procedure Code issued on June 1, 1953 (the litigation preservation), which is closer to the design of *dinglicher Arrest* and *Unterlassungsverfügung* in Germany. Therefore, the design system for "*Baoquan*" (literally translated as Preservation) in China's Civil Procedure Law is similar to the *Einstweiliger Rechtsschutz* stipulated in Articles 916–945 of the German Civil Procedure Code. The amendment of the Civil Procedure Act in 2012 introduced "*Xingwei Baoquan*" (preliminary injunction) measures in Articles 100–105. See Zhou Cui, *Xingwei Baoquan Wenti Yanjiu: Dui Minshi Susongfa di 100–105 Tiao de Jieshi [Specific Performance Injunction: Also Concerning the Construction on Art. 100–105 of the Civil Procedure Law*], 4 Faxue [Sci. of L.] 92, 93 (2015).

[7] Chen Wenwen, *Zhishi Chanquan Linshi Jinling Zhidu de Kunjing yu Tupo: Yi Beijing Fayuan Dianxing Anjian wei Shijiao [Dilemma and Breakthrough of Provisional Injunction System in Intellectual Property: From the Perspective of Typical Cases in Beijing Court*], 1 Xibu Faxue Pinglun (W. L. Rev.) 68, 69 (2016).

[8] Cao Jianming, former Vice-President of the Supreme People's Court, Jiaqiang Zhishi Chanquan Sifa Baohu, Youhua Chuangxin Huanjing, Jiangou Hexie Shehui: Zai Quanguo Fayuan Zhishi Chanquan Shenpan Gongzuo Zuotanhui shang de Jianghua [Strengthening Judicial Protection of Intellectual Property Rights, Optimizing the Innovation Environment, and Building a Harmonious Society: A Speech at the Symposium on National Intellectual Property Adjudication Work)] (Nov. 21, 2005), http://zscq.court.gov.cn/sfzc/201304/t20130426_183679.html (last visited Apr. 10, 2019).

[9] Cao Jianming, *Quanmian Jiaqiang Zhishi Chanquan Shenpan Gongzuo, wei Jianshe Chuangxinxing Guojia he Goujian Hexie Shehui Tigong Qiangyouli de Sifa Baozhang [Comprehensively Strengthen IPR Trials, Provide Strong Judicial Guarantees for Building an Innovative Country and Build a Harmonious Society: A Speech at the Symposium on National Intellectual Property Adjudication Work) January 18, 2007*], 2 Keji yu Falv [J. Sci., Tech. & L.] 3, 4 (2017).

year	The number of applications	actual support rate (approval granted)
2001–2007	607	81.94%[10]
2002–2009	808	84.18%[11]
2009	59	85.42%[12]
2010	55	89.74%[13]
2011	130	98.23%[14]
2012	27	83.33%[15]
2013	11	77.78%[16]
2013–2017	157	98.50%[17]

As shown in Table 1, from 2001 to October 2005, the national courts accepted 300 applications, an average of about sixty per year. From November 2005 to 2008, a total of 449 were accepted, an average of about 150 per year. From 2009 to 2010, it tended to decrease, with an average of fewer than sixty per year. In 2011, it was increased to 130. From 2012 to 2013, it was reduced to twenty-seven and subsequently eleven per year. From 2014 to 2017, there were no more than forty applications per year.

[10] THE SUPREME PEOPLE'S COURT, THE BASIC ACHIEVEMENTS OF THE JUDICIAL PROTECTION OF INTELLECTUAL PROPERTY RIGHTS OF THE PEOPLE'S COURT IN THE PAST 30 YEARS (Nov. 2008), http://zscq.court.gov.cn/sfzc/201304/t20130426_183679.html.

[11] *Introduction*, *Intellectual Property Protection by Chinese Courts in 2009*, THE SUPREME PEOPLE'S COURT (2010), http://zscq.court.gov.cn/bhcg/201004/t20100426_4545.html.

[12] *Id.* Part I.

[13] *See Intellectual Property Protection by Chinese Courts in 2010, Part I*, THE SUPREME PEOPLE'S COURT (2013), http://zscq.court.gov.cn/bhcg/201304/t20130407_183079.html.

[14] *Intellectual Property Protection by Chinese Courts in 2011, Part I* (2013), THE SUPREME PEOPLE'S COURT, http://zscq.court.gov.cn/bhcg/201304/t20130407_183080.html.

[15] *Intellectual Property Protection by Chinese Courts in 2012, Part I* (2012), THE SUPREME PEOPLE'S COURT (2012), http://zscq.court.gov.cn/bhcg/201304/t20130426_183662.html (2013).

[16] *See Intellectual Property Protection by Chinese Courts in 2013, Part I*, THE SUPREME PEOPLE'S COURT (2013), http://zscq.court.gov.cn/bhcg/201404/t20140425_195314.html (2014).

[17] *See* Song Xiaoming, Wang Chuang, Xia Lijun & Lang Guimei, *Guanyu Shencha Zhishi Chanquan Jiufen Xingwei Baoquan Anjian Shiyong Falv Ruogan Wenti de Guiding* de Lijne Yu Shiyong [*Understanding and Application of the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Laws in the Examination of Preliminary Injunction Cases Involving Intellectual Property Disputes*], 7 RENMIN SIFA [PEOPLE'S JUDICATURE] 24, 25 (2019).

The early data published by the Supreme People's Court was only the pre-suit interim injunction and there was no statistic on the in-suit PI. From the incomplete data, the number of applications for the pre-suit injunction and its rate of support are far lower than those of the pre-suit PI.[18]

Changes in the application volume may be affected by judicial policies. The basic attitude of the policy requirements since 2001 for the PI has been the "active and careful" principle.[19] In 2005, the judicial policy proposed "to fully play the unique role of the institution of PI in pre-trial," and especially pointed out that "some courts' attitudes [are] not active, it is not enough to study, research, and apply this institution."[20] The number of applications from the end of 2005 to 2008 was the highest in history.[21]

In 2008, the judicial policy once again proposed to be "active and cautious [to] apply the interim pre-trial measures and strengthen the effectiveness of the judicial relief."[22] In 2009, it was required to "strictly grasp the legal conditions and apply the interim pre-trial measures with caution." For specific standards, it was required to "moderately and strictly control

[18] According to incomplete statistics, during the five years from 2013 to 2017, the Chinese courts at all levels accepted seventy-five in-suit applications regarding intellectual property rights and the ruling support rates was 64.8%. *Id.* According to the data for the courts of Guangdong Province, from 2002 to the first half of 2010, there were 148 pre-suit PI applications. Twenty-three were in-suit PI applications, while only 13.5% of the total number of PI applications were for intellectual property rights. The pre-suit was 6.4 times more than the in-suit. *See* Research Grp. of the Higher People's Ct. of Guangdong Province, *Guangdong Fayuan Zhishi Chanquan Susong Jinling Zhidu Zhixing Qingkuang Fenxi* [*Analysis on the Implementation of the Injunction Institution for Intellectual Property of Guangdong Courts*], 1 FAZHI LUNTAN (NOMOCRACY FORUM) 277, 288 (2011).

[19] Cao Jianming, *supra* note 8; Cao Jianming, *Zhengqu Shishi Zhishi Chanquan Falv, Cujin Keji Jinbu he Jingji Fazhan, Jiakuai Tuijin Shehui Zhuyi Xiandaihua Jianshe: Zai Quanguo Fayuan Zhishi Chanquan Shenpan Gongzuo Zuotanhui ji Youxiu Caipan Wenshu Banjianghui shang de Jianghua* [*Correctly Implementing Intellectual Property Law, Promoting Scientific and Technological Progress and Economic Development, Accelerating Socialist Modernization Construction: A Speech at the National Symposium on Intellectual Property Trial Work and the Awards for Excellent Intellectual Property Judgment Documents*]. SUPREME PEOPLE'S COURT OF CHINA (Oct. 15, 2002), http://zscq.court.gov.cn/sfzc/201304/t20130426_183679.html.

[20] Cao Jianming, *supra* note 8.

[21] During the period, the judicial policy maintained an attitude of continuing to take the pre-suit PI seriously. *See* Cao Jianming, *supra* note 9, at 5.

[22] Cao Jianming, *Qiuzhen Wushi, Ruiyi Jinqu, Nuli Jianshe Gongzheng Gaoxiao Quanwei de Zhishi Chanquan Shenpan Zhidu: Zai di er ci Quanguo Fayuan Zhishi Chanquan Shenpan Gongzuo Huiyi shang de Jianghua* [*Staying Pragmatic, Forging Ahead with Determination, and Striving to Build a Fair, Efficient and Authoritative Intellectual Property Trial System: A Speech at the Second National Work Conference on Intellectual Property Adjudication*], SUPREME PEOPLE'S COURT OF CHINA (Feb. 19, 2008), http://zscq.court.gov.cn/sfzc/201304/t20130426_183679. html.

the criteria for determining the possibility of infringement, and the degree of basic conviction should be reached."[23] Moreover, "[i]n patent cases, especially in the cases concerning the invention and utility model, it is necessary to carefully decide to take the institution."[24] The number of applications dropped significantly in 2009 to 2010. In 2010, it was required that "for cases of evident infringement and intentional infringement such as counterfeiting and piracy, PI should be actively taken,"[25] and the number of applications in 2001 was obviously doubled. However, at the end of 2011, the judicial policy emphasized again the need "to cautiously and securely determine the adoption of interim measures,"[26] and to "regulate the abuse of patent rights and abuse [of] the pre-suit PI institution."[27] When the judgment of the possibility of infringement needed relatively complicated technical comparisons, it was clearly stated that "it is not appropriate to [have a] ruling pre-suit PI measure."[28] The number of applications in 2012 and 2013 fell to the lowest in history, with only eleven applications in 2013. The reform of the judicial policy began in 2013, from "careful adoption" to "active application" to improve the "timeliness, con-

23 Notice of the Supreme People's Court on Issuing the Opinions on Several Issues Concerning Intellectual Property Trials Serving the Overall Objective Under the Current Economic Situation, No. 23 [2009] (Sup. People's Ct. Apr. 21, 2009).

24 Opinions of the Supreme People's Court on Several Issues Regarding the Implementation of the National Intellectual Property Strategy, No. 16 [2009], (Sup. People's Ct. Mar. 23, 2009).

25 Xi Xiaoming, Former Vice-President of the Supreme People's Court, Speech, Nengdong Sifa, Fuwu Daju, Nuli Shixian Zhishi Chanquan Shenpan Gongzuo xin Fazhan: zai Quanguo Fayuan Zhishi Chanquan Shenpan Gongzuo Zuotanhui shang de Jianghua [Enable Justice, Serve the Overall Situation, and Make Efforts to Realize the New Development of Intellectual Property Trial Work: A Speech at the Symposium on National Intellectual Property Adjudication Work], http://zscq.court.gov.cn/sfzc/201304/t20130426_183679.html.

26 Xi Xiaoming, Former Vice-President of the Supreme People's Court, Speech, Chongfen Fahui Zhishi Chanquan Shenpan Zhineng Zuoyong, Wei Tuijin Shehui Zhuyi Wenhua Dafazhan Dafanrong he Jiakuai Zhuanbian Jingji Fazhan Fangshi Tigong Youli Sifa Baozhang: Zai Quanguo Fayuan Zhishi Chanquan Shenpan Gongzuo Zuotanhui shang de Jianghua [Full Play the Role of the Intellectual Property Trial Function, Providing a Strong Judicial Guarantee for Promoting the Great Development and Prosperity of Socialist Culture and Accelerating the Transformation of Economic Development Mode: A Speech at the Symposium on National Intellectual Property Adjudication Work (Nov. 28, 2011), http://zscq.court.gov.cn/sfzc/201304/t20130426_183679.html.

27 Notice of the Supreme People's Court on Issuing the Opinions on Issues Concerning Maximizing the Role of Intellectual Property Right Trials in Boosting the Great Development and Great Prosperity of Socialist Culture and Promoting the Independent and Coordinated Development of Economy, No. 18 [2011] (Sup. People's Ct. Dec. 16, 2011).

28 *Id.*

venience and effectiveness of intellectual property judicial relief."[29] The number of applications has rebounded since 2014.

While adjusting and amending the judicial policy, the Supreme People's Court began to formulate a new judicial interpretation in 2013, in order to improve the rules on the PI established by the two early interpretations (in 2000 and in 2001), respond to the new provisions in the Civil Procedure Law (Articles 100–105) on the basis of summing up judicial practice experience, comply with the TRIPs agreement, and draw on the experience from other countries.[30] In 2018, the judicial policy required the courts "to fully exert the institutional effectiveness of PI, improve the timeliness and convenience of judicial relief for intellectual property rights," and "actively and reasonably exert the interim injunction of intellectual property rights" to enhance the "sense of acquisition and security" of intellectual property rights holders for judicial protection of their intellectual property rights.[31]

At the end of 2018, after nearly six years of preparation,[32] the Provisions were finally adopted and clarified the new rules regarding the institution of the PI of intellectual property rights.[33]

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[29] Xi Xiaoming, Former Vice-President of the Supreme People's Court, Speech at the Third National Work Conference on Intellectual Property Adjudication, Jiefang Sixiang, Zhenzhua Shigan, zai Xinde Lishi Qidian shang Kaichuang Zhishi Chanquan Shenpan Gongzuo Xinjumian: Zai Di Sanci Quanguo Fayuan Zhishi Chanquan Shenpan Gongzuo Huiyi shang de Jianghua [Emancipating the Mind, Hardworking, and Creating a New Situation in the Adjudication of Intellectual Property Rights at the New Historical Starting Point] (Mar. 21, 2013), http://zscq.court.gov.cn/sfzc/201304/t20130426_183683.html.

[30] Song Xiaoming et al., *supra* note 17, at 26.

[31] Tao Kaiyuan Vice-President of the Supreme People's Court, Speech at the Fourth National Work Conference on Intellectual Property Adjudication and Commendation Conference on Advanced Collective and Advanced Individual in Intellectual Property Trial Work, Yi Xi Jinping Xinshidai Zhongguo Tese Shehui Zhuyi Sixiang wei Zhiyin, Quanmian Kaiqi Xinshidai Zhishi Chanquan Sifa Baohu Xinzhengcheng: Zai Di Sici Quanguo Fayuan Zhishi Chanquan Shenpan Gongzuo Huiyi ji Zhishi Chanquan Shenpan Gongzuo Xianjin Jiti he Xianjin Geren Biaozhang Dahui shang de Jianghua [Guided by Xi Jinping's Socialism Thought with Chinese Characteristics in the New Era, Fully Opening a New Journey of Intellectual Property Judicial Protection in the New Era] (July 9, 2018).

[32] *See Consultation Draft of Interpretation of Several Issues Concerning the Application of Laws in the Examination of Conduct Preservation Cases Involving Intellectual Property Rights and Competition Disputes*, China Court.org (Feb. 26, 2015), https://www.chinacourt.org/article/detail/2015/02/id/1557854.shtml (last visited Apr. 10, 2019).

[33] Article 21 of the Provisions clarifies the priority relationship with the previous judicial interpretation. Where there is any inconsistency between the relevant judicial interpretations previously issued by the Supreme People's Court and the Provisions, the latter shall prevail.

II. SCOPE AND CONDITIONS OF APPLICATION

A. Scope of Application

In existing judicial practice, the PI mainly applies to disputes of intellectual property rights infringement,[34] contract,[35] and unfair competition.[36] Although Article 1 of the new Provisions extends the scope of application to all cases arising from disputes of intellectual property rights, including anti-monopoly disputes, the applicable conditions required in the specific provisions are still pointed at the types of cases that have occurred in judicial practice, and there are no specific provisions for monopoly disputes.[37] At the present time, the application of the PI in anti-monopoly cases has yet to be explored in specific cases. There was controversy in the process of the promulgation of the Provisions. As a result of this context, the anti-monopoly provisions will be applied more cautiously in judicial practice than the dispute over intellectual property rights and contracts.

B. Conditions of Application

The court may, upon application of the parties or ex officio, make a PI ruling.[38] The Civil Procedure Law distinguishes the application conditions for the pre-suit and in-suit PI. The pre-suit PI requires that "the situation is urgent",[39] while the requirement for applying for the in-suit PI is "to make the judgment difficult to perform or cause other damages to the parties."[40] Regarding the application conditions for the pre-suit and the in-suit PI, it is obvious that the degree of the damage caused to the applicant is different, as the application for the in-suit PI does not require an urgent situation. Due to the different start-up time, the conditions for the pre-suit PI should be stricter than those of the in-suit PI. The legislator sets stricter requirements for the pre-suit PI, which are based on the origi-

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[34] Before the revision of the Civil Procedure Act in 2012, in the field of intellectual property, the PI was mainly applicable to infringement disputes.

[35] *See, e.g.*, Gu Zhengwen v. Chinese Acad. of Sci. Comput. Network Info. Ctr., Hai Min Chu Zi No. 20877 (Beijing Haidian Dist. Ct. 2013); Changzhou Lianhui Res. Envt'l Tech. Co., Ltd. v. Shanghai Envt'l Eng'g Design & Research Inst. Co., Ltd., Su Zhong Zhi Jin Zi No. 00002 (Suzhou Intermediate Ct, of Jiangsu Province 2015).

[36] *See, e.g.*, Shenzhen Jingyin Trademark Office v. Choongqing Zhubajie Network Co., Ltd. et al., Yue 03 Min Chu Zi No. 890 (Shenzhen Intermediate Ct.t of Guangdong Province 2017); Dr. Seuss Enters., L.P. v. Susi Enterp. Mgmt. Co., Ltd. et al., Yun 01 Min Chu Zi No. 417 (Kunming Intermediate Ct. of Yunnan Province 2017).

[37] Song Xiaoming et al., *supra* note 17, at 26.

[38] Civil Procedure Act art. 100.

[39] *Id.* art. 101.

[40] *Id.* art. 100.

nal intention of preventing the abuse of procedures.[41] Accordingly, the applicant is required to file a lawsuit for filing the case within one month.[42]

In the process of formulating the Provisions, there was a general definition[43] of "urgent situation," but in the end, an enumerated definition was adopted, which basically summarized the judicial practice experiences. According to Article 6 of the Provisions, in any of the following circumstances, if not immediately taking the PI is sufficient to damage the interests of the applicant,[44] it shall be deemed to be "urgent:" 1) the applicant's trade secret is about to be illegally disclosed; 2) the applicant's personal rights, such as the publication right and the privacy right, is about to be infringed; (3) the intellectual property right at issue will be illegally disposed of; (4) the applicant's intellectual property right is experiencing or will suffer infringement in time-sensitive occasions such as trade fairs; (5) the time-sensitive popular broadcast programs are being or are about to be infringed upon; and (6) other situations that call for the PI.

The courts should decide whether to render a pre-suit PI within forty-eight hours after accepting the application. Different from the pre-suit PI, "urgent situations" are not a mandatory requirement for the application of the in-suit PI. However, in cases of urgent situations, the court must make an in-suit ruling within forty-eight hours after accepting the application. For non-existent urgent claims, the law does not specify the time limit for review.[45]

III. FACTORS FOR EVALUATING THE NECESSITY

Article 7 of the Provisions defines the following factors that the court should comprehensively consider in granting a preliminary injunction: (1) whether the applicant's request has a factual basis and a legal basis, (2) whether the applicant will be irreparably harmed or the decision of the case will be difficult to enforce as a result of the failure to enforce injunction, (3) whether the injury suffered by the applicant as a result of the

[41] Zhou Cui, *supra* note 6, at 97.

[42] Civil Procedure Act art. 101, para. 3.

[43] Draft of the Provisions art. 6, *supra* note 32 ("[C]ircumstances stipulated in Articles 100 and 101 of the Civil Procedure Act, generally mean that, due to the nature of the application for PI or specific market conditions etc., the applicant will suffer an irreparable loss if not immediately taking PI measures.").

[44] In the past judicial interpretation and judicial practice, it was required that the "urgent situations" be those "to make the applicant suffer irreparable harm," but now, it is only required that they be "sufficient to damage the interests of the applicant," and the requirements for the applicant to file the application are reduced. There is also a scientific distinction between the preconditions and the review criteria.

[45] Patent Law art. 66; Trademark Law art. 65; Copyright Law art. 50.

failure to enforce the injunction will exceed the injury suffered by the respondent as a result of the enforcement of the injunction, (4) whether the injunction would compromise the public interest, and (5) other factors that should be considered. Literally, these standards[46] are similar to the four-factors test generally applied by U.S. courts in determining whether to issue the PI.[47]

A. Factual and Legal Basis

This factor was originally raised as to "whether it constitutes infringement" in the two early judicial interpretations.[48] The expression is obviously not rigorous. Without complete litigation procedures, it should not be directly determined whether it constitutes infringement. It was replaced with "likelihood of success on the merits" in the draft of the Provisions in 2015.[49] The final version adopted a general term, "factual basis and legal basis."[50] In judicial practice, to judge whether the applicant's

[46] The previous two judicial interpretations (in 2001 and 2002) did not directly stipulate how to examine the application for the pre-suit PI, but stipulated the formal conditions of the application, the evidence to be submitted, and the review criteria for the reconsideration application: (1) whether there is infringement, (2) whether the applicant will be irreparably harmed in a manner for which monetary damages are inadequate compensation if the failure to take precautionary measures will cause irreparable damage to the applicant, (3) whether the applicant has provided an adequate guarantee, and (4) whether issuance of a PI would harm the public interest. Obviously, the review criteria for reconsideration applications also apply to the review of applications for the pre-suit PI.

[47] Wu Minhuan & Wang Yan, *Zhishi Chanquan Qinquan Suqian Jinling de Shencha Biaozhun Tanxi* [*On Application Standards of Preliminary Injunction from Intellectual Property Infringement*], 4 DIANZI ZHISHI CHANQUAN [ELECTRONICS INTELL. PROP.] 75, 77 (2017).

[48] Several Provisions of the Supreme People's Court on the Application of Laws to Pre-Trial Injunction to Cease Patent Infringements art, 11 (2001); Interpretation of Supreme People's Court on the Application of Laws to Pre-Suit Injunction to Cease the Infringement upon Exclusive Right to Use of Registered Trademarks and Pre-Trial Preservation of Evidence art. 11 (2001).

[49] Draft of the Provisions art. 7, *supra* note 32; as the Beijing Intellectual Property Court pointed out in a civil ruling on *Voice of China* against the respondent's reconsideration: "The so-called likelihood of success on the merits is the possibility of judgment based on the existing evidence and combined with procedural temporary measures. It is obviously different from the certainty determination after the entity is heard. Therefore, in the review of the pre-suit PI application, the likelihood of success on the merits does not necessarily exclude the applicant from the possibility of losing the case or preserving the respondent's victory." *See* Zhejiang Tangde Film & Television Co., Ltd. v. Shanghai Canxing Culture Comme'n Co., Ltd., Jing 73 Xing Bao Fu No.1 (Beijing Intell. Prop. Ct. 2016).

[50] Because the Civil Procedure Law extended the scope of the PI to the entire civil litigation field in 2012, therefore it was no longer limited to infringement cases.

request has a factual basis and a legal basis, the major considerable factors are the validity of the asserted intellectual property rights and the likelihood of infringement.

1. Validity of IP Rights

Article 8 of the Provisions sets forth the factors for evaluating the validity of the asserted intellectual property rights, including, (1) the type of intellectual property rights, (2) whether the rights have been subject to a substantive validity examination, (3) whether the rights have been subject to validation proceedings or revocation proceedings and the likelihood of being invalidated; (4) whether the ownership of the intellectual property rights is in dispute, and (5) other factors that may lead to the instability of the rights involved.

For the review of the validity of the rights, it is necessary to comprehensively consider the basis and conditions for the creation of different rights such as copyrights, patents, and trademarks. For the PI applications based on utility models or design patents which are not required to be examined substantively, the search report and patent evaluation report made by the National Intellectual Property Administration are required.[51] For the PI applications based on invention patents, which need to be examined substantively, there are no further requirements in the Provisions. In the case of *Qualcomm v. Apple*,[52] the court held that the invention patent right of Qualcomm was valid and stable based on the evidence submitted by Qualcomm, including a copy of the patent register, and the decision on the review of the invalidation request.[53]

2. Degree of the Likelihood

Since the introduction of the IPR protection system, the Supreme Court has demanded that "in principle, the degree of likelihood should be based on the level of basic conviction."[54] The "cautious" orientation of the judicial policy greatly affected the attitudes of local courts. The courts have adopted stricter measures and tried to achieve coherence between the pre-suit PI and the final judgment. This required the court to judge whether the applicant has a greater chance of success on the merits at the

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[51] Provisions art. 9.

[52] Qualcomm, Inc. v. Apple Comput. Trading (Shanghai) Co., Ltd., Min 01 Min Chu No.1208 I.

[53] The Provisions were promulgated after the ruling was made. In this case, the court applied the Several Provisions of the Supreme People's Court on the Application of Laws to Pre-Trial Injunction to Cease Patent Infringements (2001).

[54] Cao Jianming, *supra* note 8; Cao Jianming, *supra* note 22); Opinions of the Supreme People's Court on Several Issues Regarding the Implementation of the National Intellectual Property Strategy, *supra* note 24.

substantive law level before the beginning of the substantive trial, and the result must be a reduction in the application in practice.

The requirement of "basic conviction" is consistent with the principle of a "high possibility" in the Civil Procedure Law.[55] When applying for a pre-suit PI, it is difficult for the applicant to provide the prima facie evidence to achieve such a high standard of proof. Although the standard guaranteed the support rate of the courts, there was a low application volume for a long time.[56] The new Provisions treat the PI just like a procedural ruling and adopt the standard of the preponderance of the evidence for the likelihood of infringement, i.e., no high probability is required, so long as there is an advantage.[57]

B. Possible Harm

1. Irreparable Harm

"Irreparable harm" is the key factor stipulated in Article 101 of the Civil Procedure Law for the granting of the PI and has always been the most controversial issue in judicial practice.[58] The Provisions provide guidance on how to evidence irreparable harm. Article 10 lists three typical circumstances based on judicial practice:

(1) The behavior of the respondent will infringe on the business reputation or personal rights, such as publication rights and rights of privacy that would not be recovered, mainly referring to the situation in which monetary compensation cannot be a remedy. For example, a public auction of a private letter may damage the right to publish and cannot be calculated with money, once it is unrecoverable.[59]

(2) The behavior of the respondent will lead to an uncontrollable act and significantly increase the damage of the applicant. Even if the damage can be compensated by money, the consequences of the infringement are difficult to control, so there is an inability to accurately calculate the amount of compensation. This circumstance also belongs in the category of irreparable harm. For example, if a trade secret is in danger of being disclosed, used, or leaked, once the disclosure has taken place, the appli-

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55 ZHANG WEIPING, MINSHI SUSONGFA [CIVIL PROCEDURE LAW] 188 (2016).

56 Ren Zhong, *Woguo Suqian Xingwei Baoquan Shenqing de Shijian Nanti: Chengyin yu Chulu* [*On the Causes of and Solutions to the Difficulties in the Application for Preliminary Injunction in Chinese Civil Procedure*], 4 HUANQIU FALV PINGLUN [GLOBAL L. REV.] 92, 94 (2016).

57 Song Xiaoming et al., *supra* note 17.

58 Huang Wenyi, Bijiaofa Shiyu xia Woguo Minshi Baoquan Zhidu de Xiugai yu Wanshan [Comments on Amendments of Preservation Procedure for Civil Litigation], 5 BIJIAOFA YANJIU [J. COMP. L. 67, 74-75 (2012).

59 Yang Jikang v. Zhongmao Shengjia Int'l Auction Co., Ltd., Er Zhong Min Bao Zi No. 09727 (Beijing 2d Intermediate Ct. 2013).

cant's competitive advantage based on the trade secret is gone; the damage to the applicant that may have been caused by the respondent is irreparable.[60] In the *Abbott v. Huangyan Yilonge*[61] case on design patents involving milk powder cans, the court determined the irreparable damage in consideration of the sales link (milk powder cans sold together with milk powder), the cost of the rights protection (increasing the difficulty and cost of rights protection), and the period of the protection (the time for redesigning the containers, and the continuation of the alleged violation greatly affected the exercise of the applicant's rights).

In the *Qualcomm v. Apple*, the court confirmed irreparable harm in three areas and issued an in-suit PI: a) the amount of follow-up infringement compensation is difficult to calculate; b) if the infringement is stopped under the PI, the damage to Qualcomm will inevitably be further expanded due to the introduction of new models of mobile phones; c) the infringement will cause irreparable damage to the product competitiveness of other mobile phone manufacturers that have established licensing relationships with Qualcomm in the Chinese market, which will cause irreparable damage to the business cooperation between Qualcomm and these partners.[62]

(3) The respondent's infringement will result in a significant reduction in the relevant market share of the applicant. What level of proof is required in this regard is not clear, but the fact that the rights owner's market share will be explicitly considered makes sense and likely allows for greater use of the PI in the future.[63] As in the second circumstance, even if it can be compensated by monetary compensation, it is impossible to compensate for the amount of compensation. The second circumstance is from the uncontrollable perspective of the consequences of the infringement, while this circumstance is defined from the perspective of the subsequent adverse effects of the infringement on the competitive advantage and the business opportunity, and the two situations may occur simultaneously.

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60 Eli Lilly (U.S.) & Co. v. Huang Mengwei, Hu Yi Zhong Min Wu (Zhi) Chu Zi No. 119 (Shanghai 1st Intermediate Ct. 2013).

61 Abbot Trading (Shanghai) Co., Ltd. v. Taizhou Huangyan Yilong Plastic Indus. Co., Ltd., San Zhong Min Bao Zi No. 01933 (Beijing 3d Intermediate Ct. 2013).

62 Qualcomm, Inc. v. Apple Comput. Trading (Shanghai) Co., Ltd., Min 01 Min Chu No.1208 I.

63 In the *BASF v. Shijia* case, the court considered the reduction in market share of the applicant; however, the applicant did not submit the relevant evidence, so the court did not support the application. *See* BASF Agric. Co., Ltd. and Ningbo Bonded Area Shijia Chem. Co., Ltd., Er Zhong Min Bao Zi No. 02943 (Beijing 2d Intermediate Ct. 2005).

Article 10 of the Provisions provides "other irreparable damages" as a miscellaneous term. The previous draft defined the excluded situations from the opposite perspective, such as "depreciating to exercise the right," "the right holder has no reasonable grounds for not using or implementing it, and has no plan to use or implement it," and "damage is easy to calculate by money."[64] These were finally not included in the judicial interpretation, but there is still reference significance.

2. Difficult Enforcement of Judgment

"Difficult to enforce the judgment or cause other damages to the parties" is the applicable condition for the granting of an in-suit PI in Article 100 of the Civil Procedure Law. Compared with the pre-suit PI, the court reviewed the relevant information of the parties in the process of litigation more comprehensively and deeply, and it is now easier to make accurate judgments according to various factors. Therefore, the requirement for the in-suit PI is lower than the pre-suit PI.[65] This is not only reflected in the above-mentioned applicable requirement of an "urgent situation," but also the necessary conditions to issue the PI ruling, i.e., the requirements for damage caused to the applicant should be different. However, in judicial practice, the rights holder and the court have unconsciously used "irreparable harm" as a reason when applying for or deciding to support an in-suit PI.[66] The Provisions does not stipulate how to determine "making the judgment difficult to enforce or causing other damages to the applicant," but states that the court may refer to the judgment rules on "irreparable harm." Obviously, the Provisions accept the opinion in judicial practice, i.e., the necessary conditions for the pre-suit and the in-suit PI are equivalent.

C. Balancing the Interests of the Applicant and Respondent

The third factor to be considered is the balance of interests. The court issues the PI only if the damage suffered by the applicant will be greater if the PI is not issued than the damage suffered by the respondent if the PI is issued. The intended result is for the social interest to be maximized. In the previous two judicial interpretations, there was no explicit requirement to measure the interests of both parties. In the judicial policy of 2005, the Supreme People's Court began to pay attention to how to deal with the balance between the PI and the prevention of an abuse of

64 Draft of the Provisions art. 10.

65 Song Xiaoming et al., *supra* note 17.

66 Shanghai Juli Media Tech. Co., Ltd. v. Beijing Fengxing Online Tech. Co., Ltd., Hai Min Chu Zi No. 12458 (Beijing Haidian Dist. Ct. 2014); Eli Lilly (U.S.) & Co. v. Huang Mengwei, Hu Yi Zhong Min Wu (Zhi) Chu Zi No. 119 (Shanghai 1st Intermediate Ct. 2013).

rights[67], and to consider whether the damage caused to the applicant would be more serious than to the respondent. In practice, this issue was generally accepted as the major factor to consider.[68]

D. Public Interest

Public interest is the fourth factor to consider in the judgment of the necessity of the PI. This consideration is consistent with the basic principles of civil law.[69] The two factors, public interest and the balance of interests, are all intended to serve the specific application of the principle of proportionality, i.e., seeking the necessary balance between achieving the goal and the means adopted. The judicial policy pointed out that this factor should be strictly applied, and the "public interest" is interpreted as "public health, environmental protection and other major social interests."[70] In the judicial practice following the enactment of the Provisions, the payment functions provided by the software were regarded as having the potential to harm the public interest.[71]

E. Rule of Comprehensive Consideration

According to Article 7 of the Provisions, the court shall comprehensively review all the four factors above[72] and does not exclude other factors that should be considered. The Provisions do not, however, specifically explain the definition of "other factors that should be considered." From the perspective of the existing judicial practice, the factors considered by the courts do not exceed these four points. "Other factors"

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[67] Cao Jianming, *supra* note 8. In the judicial policy of 2018, the reasonable balance of interests between the applicant and the respondent was emphasized. *See* Tao, *supra* note 31.

[68] *See, e.g.*, Christian Louboutin v. Guangzhou Verteam Trading Co., Ltd., etc., Yue 73 Xing Bao No. 1-3 (Guangzhou Intell. Prop. Ct. 2016).

[69] Wu Minhuan & Wang Yan, *supra* note 47, at 80.

[70] Notice of the Supreme People's Court on Issuing the Opinions on Several Issues Concerning Intellectual Property Trials Serving the Overall Objective under the Current Economic Situation, *supra* note 23.

[71] In the *Tencent v. Chips Ltd.* case, Tencent stated that the "inChat" software launched by Chips Limited plagiarizes the "WeChat" software, and its use of propagandistic language easily misled users. The Haidian District Court of Beijing held that the payment function of the software has the possibility to harm the public interest and supported the application of Tencent by issuing an in-suit PI ruling. *See* "Case Express" on the official website of the Haidian District Court of Beijing on January 23, 2019, http://bjhdfy.chinacourt.org/public/detail.php?id=6001.

[72] *See, e.g.*, Zhejiang Tangde Film & Television Co., Ltd. v. Shanghai Canxing Culture Commc'n Co., Ltd., Jing 73 Xing Bao Fu No. 1 (Beijing Intell. Prop. Ct. 2016).

could be a miscellaneous term for a possible new situation arising in the future.

Based on the analysis of the judgments of Chinese courts at all levels, it can be found that in early cases, the factors of "possibility of infringement" and "irreparable harm" were considered as key factors. Although the two judicial interpretations (in 2001 and 2002) required three factors of consideration, i.e., "possibility of infringement," "irreparable harm," and "public interests," not all courts will consider the three factors together.[73] The recent ruling begins to consider the factor of "balance of interests."[74] After the enforcement of the Provisions, the Haidian District Court recently made a PI ruling based on comprehensive consideration of the "likelihood of infringement," "irreparable harm," and the "public interest."[75]

IV. PROCEDURAL RULES

A. Scope of Applicants

According to the Civil Procedure Law, the "litigant" may file an application for an in-suit PI (Article 100), and the "interested person" may apply for a pre-suit PI (Article 101). In litigation, the parties in disputes on intellectual property and competition law can file an application for a PI before the judgment, ruling, or arbitral decision takes effect. It was clear that the exclusive licensees[76] are allowed to file an infringement case, a licensee under a sole licensing contract[77] may file a suit with the rights holder, or may file a lawsuit if the rights holder does not sue, and the licensees under an ordinary licensing contract[78] could file a lawsuit, if they

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73 Beijing Zhongqian Electromech. Equip. Co., Ltd. v. Beijing Qingda Tech. Co., Ltd, Yi Zhong Min Chu Zi No. 8425 (Beijing 1st Intermediate Ct. 2003); BASF Agric. Co., Ltd. and Ningbo Bonded Area Shijia Chem. Co., Ltd., Er Zhong Min Bao Zi No. 02943 (Beijing 2d Intermediate Ct. 2005).

74 Christian Louboutin v. Guangzhou Verteam Trading Co., Ltd., etc., Yue 73 Xing Bao No. 1-3 (Guangzhou Intell. Prop. Ct. 2016).

75 Tencent v. Chips, Ltd. (Haidan Dist. Ct.).

76 An exclusive license means no person or company other than the named licensee can exploit the relevant intellectual property rights. The licensor is also excluded from exploiting the intellectual property rights.

77 A sole license means the license is exclusive, except that the licensor also reserves full rights to exploit the intellectual property itself. The licensor does not have the right to grant any other sub-licenses.

78 An ordinary license means the license is non-exclusive. The licensor can grant any other person or company a license.

obtain the explicit authorization of the rights holder.[79] As parties to the case, they can file an application for an in-suit PI.

It was not clear whether the "interested person" includes the licensee of the license contract, especially the licensee of the ordinary implementation license. Article 2 of the Provisions clarifies that exclusive licensees are also allowed to file for a pre-suit injunction. The sole licensee could submit an application independently for a pre-suit PI if the rights holder does not submit such an application. The licensee under a normal, non-exclusive licensing contract, could do so upon being specifically authorized by the rights holder to submit an application independently for a pre-suit injunction.

B. Communication Procedure

The previous two judicial interpretations do not require the courts to contact the parties before issuing a PI ruling, but the courts can decide themselves whether to communicate with the parties when it is necessary.[80] The court shall, prior to granting an injunction, communicate with both the applicant and the respondent, except when "the situation is urgent," as previously discussed in detail regarding the circumstances in Article 6.

The new Provisions put forward different principles of review, i.e., the principle of inquiring and the exception of not inquiring in special circumstances. Before taking the PI measures, the applicant and the respondent should generally be asked, except in case of emergency, or if the inquiry may affect the execution of the PI.[81] The new principle can help judges make more objective and reasonable decisions after a comprehensive consideration on overall and objective information, so as to avoid the abuse of this institution.

C. Guarantee and Counter-Guarantee

1. Guarantees as Procedural Requirement

According to the Civil Procedure Law, the court should order the applicant to provide guarantees for a pre-suit PI (Article 100), while for an in-suit PI, the court may order the applicant to provide guarantees (Article 101). As the implementation of the provisions of Article 50(3) of TRIPs,

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[79] Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Trademark Civil Disputes art. 4, Fashi (Judicial Interpretation) No. 32 (2002) (Oct. 12, 2002).

[80] Interpretation art. 9, para. 2 (2001). Where it is necessary for the People's Court to verify the relevant facts within the aforementioned time limit, the People's Court may summon and make inquiries of one or both interested parties, and, then make the ruling in a timely manner.

[81] Provisions art. 5.

the purpose of the guarantee is to protect the interests of the respondent and avoid the abuse of the PI institution by the applicant, rather than to replace the applicant's explanatory responsibility.[82] The amount of the guarantee shall also be equivalent to the loss that may be caused to the respondent by taking the PI measures, including reasonable loss, such as sales income and storage expenses of products involved in ordering the PI.[83] In the whole process of implementing the PI, if the loss that the respondent may suffer as a result exceeds the amount guaranteed by the applicant, the court may order the applicant to add corresponding guarantees. If the applicant refuses to add additional guarantees, the court may decide to cancel or partially cancel the measures of the PI.[84]

There has been controversy as to whether a guarantee should be regarded as a substantial requirement to consider when judging the necessity of the PI or merely a procedural requirement.[85] As the role of security is to compensate for the loss of the applicant when there is a mistake in the PI, in practice, it is also widely adopted by judges as a necessary condition by reviewing the PI application.[86]

The new Provisions clarify that the guarantee is just a procedural requirement, but not the consideration factor for evaluating the necessity. In other words, the judge does not need to consider whether the applicant provides security and the amount of the security money when deciding whether to make a PI ruling, but once deciding to issue a PI ruling, the judge asks the applicant to provide full security. In this way, when the substantive conditions are not satisfied, it can avoid the practice of providing guarantees to make up for it, and effectively prevent the abuse of the PI institution.

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[82] Jiang Liwei, *Zhishi Chanquan Xingwei Baoquan Zhong de Danbao he Fandanbao: Jianping Zuigao Renmin Fayuan Guanyu Shencha Zhishi Chanquan yu Jingzheng Jiufen Xingwei Baoquan Anjian Shiyong Falv Ruogan Wenti de Jieshi Zhengqiu Yijiangao Di 9 Tiao, Di 11 Tiao* [*Guarantee and Counter-Guarantee for Preliminary Injunction in IP Cases: Comments on the Ninth Item and Eleventh Item of the Draft Judicial Interpretation on Preliminary Injunction in IP Cases*] (2016) 4 DIANZI ZHISHI CHANQUAN [ELECTRONICS INTELL. PROP.] 87, 88 (2006).

[83] Provisions art. 11, para. 2.

[84] *Id.* art. 11, para. 3.

[85] This is so, because the previous two judicial interpretations directly provided the guarantee as one of the review criteria for the reconsideration application. *See supra* note 46.

[86] In the document of judicial policy in 2002, it was clearly stated that "in the case of insufficient or invalid guarantees provided by the applicant, temporary measures are generally not taken." *See* Cao, *supra* note 91.

2. Counter-Guarantee Not as a Reason for Relief

In some countries, such as Germany, if the applicant provides the court with a surety bond as a guarantee for the PI, the respondent can tender a counter-guarantee to lift the PI. However, this is not the case in China. Article 12 of the Provisions states that the PI cannot be lifted by the opposing party's counter-guarantee unless the applicant gives consent to lift the PI. In principle, the counter-guarantee is excluded as the reason for the rescission of the PI.

V. IMPLEMENTATION AND RELEASE OF THE PI

A. Implementation of the PI

Once issued, the injunction is enforceable immediately. There is no appeal procedure for the PI in China. The remedy of a PI ruling for both parties is only to apply for reconsideration to the same court that made the ruling. The court has ten days from the time of the receipt of the application to reconsider the ruling.[87]

The execution of the ruling will not be affected during the period of reconsideration.[88] According to Article 15 of the *Provisions*, the court may adopt civil compulsory measures in accordance with Article 111 of the Civil Procedure Law in respect of the defendant's refusal to perform the PI ruling. Regarding the effectiveness, the PI could be more well-timed and effective than the permanent injunction. In judicial practice, the court could make a judgment with a permanent injunction and issue a PI ruling at the same time.[89]

B. Remedy of a PI Issued in Error

If a PI ruling is issued in error, the respondent concerned may apply for the rescission of the measures, and the court may rescind the measures according to its authority.[90] Meanwhile, the applicant shall compensate

[87] Provisions art. 14. The courts shall examine the application and make a ruling within ten days from receipt of the application for review.

[88] Procedure Act art. 108.

[89] In the case of *Xinhecheng v. Haixin*, the first-instance court (Shaoxing Intermediate Court) issued a PI ruling at the same time as a permanent injunction to stop the infringement. The appeal was filed by the applicant, and the trial in the second instance did not affect the execution of the PI ruling. *See* Zhejiang Xinhecheng Co., Ltd. v. Fujian Haixin Pharma. Co., Ltd. (Higher Ct. of Zhejiang Province 2018).

[90] According to the judicial interpretation of the Civil Procedure Act, after a ruling to take the preservation measure, a People's Court shall make a preservation removal ruling in any of the following circumstances: (1) the preservation is wrong, (2) the applicant revokes the application for preservation, (3) the lawsuit or claim of the applicant is overruled by a valid judgment, and (4) other circum-

the respondent's loss incurred by the injunction.[91] It is not clear whether the amount of the previous guarantee could be used as the basis for determining the amount of the compensation for an application made in error.[92]

Article 16 of the Provisions lists three typical cases that belong to "errors in application": (1) the applicant does not file a lawsuit or apply for arbitration within thirty days from the enforcement of the PI, (2) the claimed intellectual property rights are invalidated, and/or (3) there is no infringement or unfair competition in the infringement action.

In compliance with the TRIPs Agreement, which is different from the fault liability applicable in common civil torts, the strict liability principle is adopted for the determination as to whether a PI is issued in error, regardless of considering whether or not the applicant has a subjective fault. This aims to encourage the rights holders to carefully file the PI application.

CONCLUSION

The introduction of the preliminary injunction in the intellectual property protection system is the response of China to meet the requirements of the TRIPs Agreement. In practice, the application of the judicial interpretation is constantly adjusted with the guidance of the judicial protection policy. From 2001 to 2018, the Supreme People's Court changed its judicial policy of the PI from "positive and cautious" to "positive and reasonable." The new Provisions on the PI in 2018 responds to several controversial issues in judicial practice since the introduction of the PI institution in China on the basis of summarizing judicial experience one by one. In substantive rules, it establishes four factors to determine the necessity of the application of the PI; in procedural rules, it clarifies the criterion of "inquiry is the principle, no inquiry is the exception," and the strict liability principle in determining the application to be in error. It provides Chinese courts with more detailed guidance and more legal certainty to make the PI rulings. The specific rules for the application of the PI in anti-

stances under which the people's court deems that the preservation shall be removed. *See* Interpretation of the Supreme People's Court on the Application of the Civil Procedure Law of the People's Republic of China art. 166 (Fa Shi [2015] No. 5 (Jan. 30, 2015)).

91 Xu Zanyou v. Jiangsu Better Imp./Exp. Trade Co., Ltd., Su Min San Zhong Zi No. 0071 (Higher Ct. of Jiangsu Province 2008).

92 Article 12 of the Draft of the Provisions provides that the amount of the guarantee determined by the People's Court may be used as a reference for determining the amount of compensation that the applicant has applied for in error. If the applicant is malicious, the amount of compensation for the application may be determined beyond the amount of the guarantee. However, the final version of the Provisions deleted this rule.

monopoly disputes are not clearly established in the Provisions. There is no applicable precedent in the past judicial practice, and future choices deserve attention.

PART II

BOOK REVIEW

ILLUMINATING THE FUTURE THROUGH AN UNDERSTANDING OF THE PAST: A REVIEW OF *COPYRIGHT IN THE INFORMATION SOCIETY* BY LINDNER & SHAPIRO

by NEIL TURKEWITZ*

As most readers are well aware, last year the EU adopted Directive (Eu) 2019/790 of the European Parliament and of the Council of 17 April 2019 on Copyright and Related Rights in the Digital Single Market, otherwise known as the Copyright Directive.[1] Of course, this Directive did not take place in a vacuum — political or legal, but rather was built upon the foundations of earlier work at the national and EU level, and represented a continuation of efforts designed to harmonize and fine tune the protection granted to creators consistent with the emerging contours of the technological landscape. As such, while national legislators, policymakers and affected constituencies consider how best to frame national implementation of the 2019 Copyright Directive, it is imperative to study and understand the state of the law as it exists today under the 2001 Directive on Copyright in the Information Society (2001/29/EC), and in particular how that Directive has been interpreted by the European Court of Justice. Fortunately for us, and of particular importance to the national legislator, two treatises have recently been published which greatly facilitate our ability to ensure that present efforts are well-grounded in an understanding of the legal status quo: *Copyright and the Court of Justice of the European Union*[2] by Eleonora Rosati, and *Copyright in the Information Society: A Guide to National Implementation of the European Directive*,[3] edited by Brigitte Lindner and Ted Shapiro.

In this post, I review the treatise assembled by Lindner and Shapiro. It is a formidable piece of work, consisting of twenty-eight distinct essays written by national experts that tell the story of how the 2001 Copyright Directive has been implemented and applied in the EU Member States, and including an interesting foreword by the "architect" of the Directive. Perhaps some day I will find the bravery to review Rosati's treatise as well,

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[1] EUR-Lex, https://eur-lex.europa.eu/legal-content/EN/TXT/?toc=OJ%3AL%3A2019%3A130%3ATOC&uri=uriserv%3AOJ.L_.2019.130.01.0092.01.ENG.

[2] OXFORD UNIVERSITY PRESS, https://global.oup.com/academic/product/copyright-and-the-court-of-justice-of-the-european-union-9780198837176 (last visited Oct. 3, 2019).

[3] EDWARD ELGAR PUBLISHING, https://www.e-elgar.com/shop/copyright-in-the-information-society?___website=uk_warehouse (last visited Oct. 3, 2019).

but for the moment, I merely highlight the critical importance of her contribution to our understanding of the present normative universe. As noted by Maciej Szpunar, First Advocate General at the Court of Justice of the EU,

> This extremely profound analysis by Professor Rosati of EU copyright protection and relevant Court of Justice decisions constitutes uncharted territory, unveiling new information, perhaps never considered, even by members of the Court like myself. Professor Rosati's book addresses, from an original and forward-thinking perspective, some of the most complex, challenging, and pressing aspects of the EU copyright framework. I am certain that the book will contribute to an awareness of the many challenges facing copyright protection, both on the EU and global level, as well as the importance of EU law and the Court of Justice.[4]

Since 1989, the European legislative body has adopted 13 directives and 2 regulations dealing with copyright. The central piece of legislation is the 2001 Copyright Directive which was, not without some fanfare, recently supplemented by the Directive on Copyright in the Digital Single Market.

The Lindner/Shapiro book evaluates the 2001 European Directive on copyright in the information society by carefully describing how national legislators and courts have confronted the challenge of integrating this important and continuously evolving piece of legislation into their national legal systems. Each country chapter is written by a national expert and reveals, in a colorful and at times even entertaining way, the challenges encountered by the applicable national legislature and the courts in bringing the Directive to life.

By way of example, Florian Philapitsch guides us through the Austrian implementation with the help of meteorological metaphors, while Antoon Quaedvlieg takes us on a breath-taking journey through the implementation of the Directive in the Netherlands and the countless references which Dutch courts have made to the European Court. Miha Trampu_ deplores the challenges of a national legislature in Slovenia facing the implementation of inconsistencies in the European copyright *acquis* and international conventions and the unpredictable role of the European Court of Justice.

The largest chapter of the book, written by Ted Shapiro, is devoted to the Directive itself. The chapter sheds light on the background and meaning of the different concepts found in the Directive. Most importantly, the chapter contains an in-depth review of the abundant case law of the European Court of Justice which this Directive has generated — a nice compli-

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[4] Oxford University Press https://global.oup.com/academic/product/copyright-and-the-court-of-justice-of-the-european-union-9780198837176 (last visited Oct. 3, 2019).

ment to Rosati's excellent analysis. Combined with the country chapters, it is thus possible to trace the entire path of these cases from the national courts up to the European Court and the subsequent handling of the European Court's verdict by the national court.

The evolution of the Directive itself is described in an unusual Foreword authored by the architect of the Directive, Dr. Jörg Reinbothe. This Foreword gives insight into the difficult legislative process and explains why some of the subsequently highly criticised features of the Directive, for example, the exhaustive list of primarily facultative limitations and exceptions or the rules concerning the interface of technological measures and limitations and exceptions, were necessary compromise solutions which secured the adoption of the Directive. Writing about the environment in 1997 shortly after the successful negotiation of the WIPO "Internet Treaties," Reinbothe observes that "Copyright works and the subject-matter of related rights were degraded to "content" and their protection was widely seen as being outdated. Negotiating a proposal for an ambitious copyright directive with difficult substance in an increasingly hostile environment was the challenge we were facing." That challenge is well-known by the present legislator.

The 2001 Directive served, inter alia, to implement the WIPO Treaties of 1996, namely the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty. It does therefore not come as a surprise that the book also contains a chapter devoted to these important treaties that continue to inform and affect national copyright legislation, written by Brigitte Lindner. Lindner also addresses the Beijing Treaty on Audiovisual Performances, the Marrakech Treaty and the increasingly important relationship between copyright and human rights, including the role played by civil society.

While this book focuses on copyright law in Europe, it is nonetheless of interest to lawyers outside Europe and in particular in the U.S. The book deals with copyright issues on three levels: international, European, and EU Member States. Thus, it allows a U.S. lawyer to place this cornerstone Directive in the building of European copyright law into a wider context — from the origins in the WIPO Treaties to the implementation and application in the twenty-eight Member States. The potential readership for this book is broad, as the book combines academic with practical features: It is first of all of interest for the comparative lawyers since many of the topics discussed, for example the implementation of the making available right, online exhaustion or safe harbors, are also of concern to the U.S. lawyer and policymaker. Practitioners will discover the book as a welcome orientation tool for navigating around copyright concepts in the digital domain in Europe. It should be attractive to all lawyers everywhere in the world who face copyright issues across the EU.

It is my honor and privilege to have known Lindner and Shapiro for nearly thirty years each, and I am so pleased to see them publish a treatise of such importance to present debates. They have truly produced a key artifact that will help guide policymakers, lawyers and others in the implementation of the 2019 Directive on Copyright, and beyond.

PART III

IN BRIEF

THE ℗ PROBLEM AND THE 2117 SOLUTION

by HOWARD B. ABRAMS*

I. AN IRRITATING PROBLEM

Legal writing uses such symbols as the section sign (§) and the paragraph sign (¶). Intellectual property lawyers also use the copyright sign (©) and the trademark sign (®), among others.

In Microsoft Word,[1] these signs can be inserted into the text by a sometimes-tedious process. You start by left-clicking on the Insert Tab on the Home Ribbon. The Ribbon changes to the Insert Ribbon. You then select (left-click) the Symbol icon (Ω, the capitalized formal Greek Omega, which looks like an upside-down horseshoe) at the far right of the Insert Ribbon. If you have inserted signs in this fashion, the last twenty inserted signs will appear, quite likely including the ones you use most frequently. If your desired sign appears, select it, then left-click on the Insert command and it will be inserted into your document at the insert point. If not, at the bottom of the drop-down window that appears, left-click on "More Symbols." Rows containing sixteen characters or symbols now appear. Scroll down through the rows displaying sixteen characters and symbols apiece. The four symbols listed above (§, ©,[2] ® and ¶) will appear on the seventh and eighth row of the characters and symbols that appear. Finally, select (left-click) on the sign you want to insert, then left-click on the insert command to enter your selected sign into the text at the insertion point.

More elusive are the sign from an unregistered trademark (™)[3] and, the bane of copyright and entertainment law attorneys, the sound recording copyright symbol (℗).[4] The difficulty of finding the more elusive signs

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[1] This article is based on using Microsoft Word from Microsoft Office 365, but it applies to a number of earlier versions of Microsoft Word. The author has no idea whether this will work in Word Perfect or a .pdf program. The technique described in this paper was tested in both text and footnotes. It was not tested as part of a file name.

[2] Microsoft Word 365 provides a speed key method for inserting the Copyright Sign into your document — press the Ctrl key, the Alt key and the c key simultaneously.

[3] Some lawyers type TM into the document, then superscript it, i.e., TM, which produces a good visual result.

[4] An unscientific poll of four copyright practitioners at the 2019 Annual Meeting of the Copyright Society of the U.S.A., who do a lot of work in music industry

is compounded by the inconsistency of the sets of characters and signs that appear when you click on the Symbols icon.[5]

II. ONE SOLUTION

Out of a combination of frustration and dumb luck, I stumbled on the Unicode website (https://unicode.org) and found out how to insert any Unicode character or symbol into a Microsoft Word document or Microsoft Outlook email, including the ℗ and ™ symbols.

If you know the Unicode hexadecimal number for a given character, the technique is simple. Type the number — for the ℗ sign, that number is 2117 — then place the insertion point (the blinking vertical line, which tells you where the next character will be placed in the text) to the immediate right of the 7, then simultaneously press down on the Alt key and the x key, and the ℗ appears in your text. You can type the 2117, then type other text and come back later to press the **Alt+c** combination. You can even save and close the document, then reopen it, and the **Alt+c** key combination will still work.

Here are some of the characters and symbols, and their Unicode hexadecimal numbers. Depending on your usage, some will be more important to you than others.

℗	2117	Sound Recording Copyright Sign
©	00A9	Copyright Sign; (**Ctrl+Alt+c** may be quicker and easier for you)
§	00A7	Section Sign
¶	0086	Paragraph Sign
™	2122	Trademark Sign (typing TM, then superscripting it also works)
℠	2120	Service Mark Sign (typing SM, then superscripting it also works)
®	00AE	Registered Trademark Sign
°	00B0	Degree Sign[6]
Π	03A0	Capital Greek Pi[7]
Δ	0394	Capital Greek Delta[8]

determined that they did not use the methods described here. Three used a capital P surrounded by parentheses. The Fourth had found it once — he did not remember how — preserved it in a document and copied it from a saved segment of that document into his current text.

[5] I have no idea why this happens, but it does.

[6] Music lawyers may find this useful for designating 360°contracts.

[7] When you were a law student, didn't you use Π for plaintiff? When taking notes now?

[8] When you were a law student, didn't you use Δ for defendant? When taking notes now?

III. A POSSIBLE SIMPLIFICATION

The following suggestion may make inserting your choice of signs and characters quicker and easier. Add the Insert a Symbol icon to your Quick Access Toolbar. Left-click on that icon. Below the vertically scrollable set of available symbols there is a single line of symbols entitled "Recently used symbols" which shows the last sixteen symbols you inserted with the most recently inserted listed first. In my case, there are nine symbols I use frequently so I almost never need to look beyond the recently used symbols list to find what I want to insert.[9]

IV. WHAT'S NEXT?

The obvious omission from the previous discussion is the sign for a mask work, a capital M in a circle which is prescribed by section 909(b)(1) of Title 17 of the United States Code.[10] I could not find it in a quite incomplete search of the Unicode table. Because section 909(b)(1) also permits the use of "mask work" and "*M*" as signs to give notice of a claim of mask work ownership, the omission of a capital M in a circle is not fatal. Nonetheless, it might be useful if some organizations (Copyright Society of the U.S.A., Intellectual Property Section of the American Bar Association, etc.) would ask the Unicode organization to include the capital M in a circle in their next revision of the Unicode table.

[9] The number 2117 is now burned into my memory so I doubt I will ever have to look it up again.

[10] 17 U.S.C. § 909(b)(1) (2018).

PART IV

ADMINISTRATIVE DEVELOPMENTS

ADMINISTRATIVE DEVELOPMENTS

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Copyright Office Announces Intended Practice Updates on Registration Modernization and Solicits Further Comment. 37 C.F.R. Parts 201 and 202, 85 Fed. Reg. 12,704-14. The U.S. Copyright Office has published a Federal Register notice announcing several intended practice updates to improve the efficiency of the copyright registration system and soliciting further comment on additional proposed reforms under consideration. This announcement follows an extensive public inquiry in which the Office sought input on potential regulatory and practice changes to accompany the Office's forthcoming modernization initiatives, including the deployment of a new Enterprise Copyright System (ECS).

These updates will include new and improved application assistance tools, simplified registration application fields, and unified case numbers. The Office will identify these updates as business needs to the Library of Congress's Office of the Chief Information Office, which is responsible for developing technology solutions for the Office, so they may be incorporated into the design of the new registration system to support a more user-friendly and efficient registration process that is simpler, clearer, secure, and adaptable.

To further investigate other issues, the notice seeks additional public comment on two proposals to permit post-registration edits to rights and permissions information and to permit voluntary submission of additional deposit information to be included in the public record. Written comments had to be received no later than April 2, 2020.

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Copyright Office Updates Rules Governing DMCA Designated Agent Directory to Allow Waiver Requests by Email. The U.S. Copyright Office issued a non-substantive technical amendment to its regulations governing the DMCA Designated Agent Directory, the Office's electronic system to designate and search for agents to receive notifications of claimed infringement under the Digital Millennium Copyright Act (DMCA). The amendment, effective immediately, permits requests by service providers seeking a waiver to list a Post Office Box address in lieu of their physical street address in the Directory to be made by email. Requests may now be emailed to poboxwaiver@copyright.gov. Service providers who wish to make requests by physical mail may continue to do so. The requirements for a waiver remain unchanged.

LIBRARY OF CONGRESS

Electronic Delivery of Litigation Notices Under Sections 411 and 508. 37 C.F.R. Parts 201 and 205, 85 Fed. Reg. 10,603-605. The U.S. Copyright Office has published a final rule in the Federal Register permitting the use of email to provide notice to the Office regarding the filing of a copyright infringement lawsuit or a request to the Register of Copyrights to opine on registration issues. Previously, the notices required under sections 411 and 508 of the Copyright Act were submitted to the Office by mail, which risked delays and caused unnecessary burdens for both submitters and the Office. The new rule, developed in consultation with the Administrative Office of the U.S. Courts, will alleviate these issues by requiring notice to be sent to the Office via email to specially designated email addresses. The new rule took effect on May 26, 2020.

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U.S. Copyright Office Issues Proposed Rule Relating to Group Registration of Newsletters. The U.S. Copyright Office has published in the Federal Register a proposed rule that would amend its regulations for the group registration of newsletters.

The regulation currently states that newsletters must be published at least twice a week to qualify for this option. Many newsletters are published just once a week; therefore, the Office proposes to amend its regulations to eliminate this requirement. The proposed rule will permit publishers to submit claims for a month of newsletters, even if the newsletter is published as infrequently as twice a month.

In addition, the Office proposes to amend its regulations to update the address where complimentary subscription copies should be sent for purposes of satisfying the mandatory deposit requirement for newsletters and other types of serial publications. For more information, visit copyright.gov.

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Determination of Rates and Terms for Digital Performance of Sound Recordings and Making of Ephemeral Copies to Facilitate Those Performances (Web V). 37 C.F.R. Part 380, 85 Fed. Reg. 12,745-47. The Copyright Royalty Judges publish a final rule governing the rates and terms for the digital performance of sound recordings by noncommercial educational webcasters and for the making of ephemeral recordings necessary for the facilitation of such transmissions for the period commencing January 1, 2021, and ending on December 31, 2025.

COPYRIGHT ROYALTY BOARD

Determination of Royalty Rates and Terms for Ephemeral Recording and Digital Performance of Sound Recordings (Web V). 37 C.F.R. Part 380, 85 Fed. Reg. 11,857-59. The Copyright Royalty Judges publish a final rule governing the rates and terms for the digital performances of sound recordings by certain public radio stations and for the making of ephemeral recordings necessary to facilitate those transmissions for the period commencing January 1, 2021, and ending on December 31, 2025.

COPYRIGHT ROYALTY BOARD

Digital Performance Right in Sound Recordings and Ephemeral Recordings. 37 C.F.R. Part 383, 85 Fed. Reg. 9,663-64. The Copyright Royalty Judges publish a final rule governing the rates and terms for the digital performances of sound recordings by new subscription services and for the making of ephemeral recordings necessary to facilitate those transmissions for the period commencing January 1, 2021, and ending on December 31, 2025.

COPYRIGHT ROYALTY BOARD

Determination and Allocation of Initial Administrative Assessment to Fund Mechanical Licensing Collective (Initial AA). 37 C.F.R. Part 390, 85 Fed. Reg. 831-34. The Copyright Royalty Judges publish final regulations that set the amount and allocation of the Initial Administrative Assessment to fund the Mechanical Licensing Collective.

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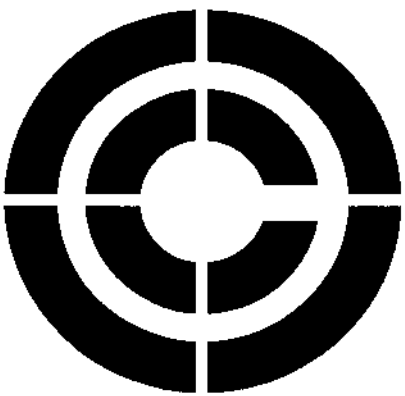

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FROM THE DESK OF THE EDITOR-IN-CHIEF

This is my final Issue as the Editor-in-Chief of the *Journal.* I first joined the Society and subscribed to the *Journal* in 1980, two years after the 1976 Copyright Act took effect. I was a contributing author, and member of the Editorial Board for years before becoming co-Editor-in-Chief with Stacy Dogan, starting with Issue 56:1, more than ten years ago. My dear friend and colleague, Joe Beard, preceded Stacy and me as the Editor-in-Chief. Sadly, Joe passed away on the job. Although I was proud and humbled to follow in his footsteps as Editor with Stacy, that's a part of his path I don't want to follow! I look forward to continuing to participate on the Editorial Board and the Copyright Society is placing the *Journal* in the capable hands (and mind) of Professor Fred Yen starting with Issue 67:1.

As journalism is evolving, writing and thinking about copyright, authors' and performer's rights, and related subjects, are also evolving. As I write this, my wife and I are isolated by the pandemic in our new home a short distance away from Los Angeles, and my copies of the *Journal* are locked back in my law school office, so I can't refer to them help refresh my recollection of the many things I am proud to have done (with Stacy, Joe Liu, Bill Manz, and the Editorial Board) for the last ten Volumes. It's a strange moment in cultural history, and this is a strange time for scholars, writers, teachers and students, but somehow as I reflect upon it, it seems like an appropriate time for the Journal that I have respected and appreciated since my own law school days to also evolve. I will leave it to Fred to speak to the developments in his first "From the Desk of. . . ." soon. I know the *Journal* will be better than ever, but I am proud of what Stacey, and then Professor Joe Liu and I, accomplished in these ten years. It is difficult for a specialized, non-law school affiliated journal to acquire scholarship from U.S. academics, but this Journal has always been an exception. And we have tried to include a diverse group of voices, from domestic academics to international scholars, to practitioners and an occasional bright student. It was sad, but understandable to me that the ASCAP Nathan Burkan law student paper competition, for many decades a source of excellent student writing, was cancelled during my tenure. A few more positive accomplishments come to mind. The *Journal* has always included articles about non-U.S. copyright, and the last decade has seen a surge of interest in writing about the copyright laws of other countries, particularly China. I am very proud of the massive symposium Issue on fair use that Stacey and I assembled for Issue 57:3. I am proud to have

published Michael Donaldson's fair use article, David Nimmer's essay on freedom of speech and copyright, including color images, and many other Issues, such as the tribute to David's father, and one of the first Editors-in-Chief, Mel Nimmer. Of course, I am grateful for all of the contributors to the *Journal.* I particularly thank Elissa Hecker, who has been our invaluable co-editor for many years, Bill Manz, the incredibly important Associate Editor who is the long-term continuity of the *Journal* , the staff and leadership of the Society, our many very capable student copy editors, and, of course, our Editorial Board.

Our copyright and journalist cultures have changed so much since Volume 56. The i-Phone had barely been released when we started, and today it seems like our entire society is relying on internet video communications to achieve just about everything. There have been too many important developments in case-law, legislation, treaties and directives in the last ten years to list here, but many of them have been discussed in the articles of the *Journal.* It seems likely that we will see a comprehensive revision of the U.S. Copyright Act in the next decade and there will certainly continue to be new fascinating judicial decisions. I look forward to reading and, hopefully, contributing to, the scholarship addressing this ever-changing "metaphysics of the law" that is copyright going forward.

As has been customary for this Issue (but watch for changes in Volume 67), Part I consists of the annual review of copyright, *"Recent Developments in Copyright": Selected Annotated Cases* by Thomas Kjellberg, ably assisted by Joelle Milov and a number of other associates. It is an updated version of the materials presented at the last annual meeting, which was held in Baltimore, MD. The issue concludes with Part II, Administrative Developments.

As always, your comments and suggestions are welcome.

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PART I

RECENT DEVELOPMENTS IN COPYRIGHT LAW

"RECENT DEVELOPMENTS IN COPYRIGHT" SELECTED ANNOTATED CASES

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These annotations cover cases reported since our report at the 42snd Copyright Society Annual Meeting of 2018.

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I. JURISDICTION AND PROCEDURAL ISSUES

A. Subject Matter Jurisdiction

Fastcase, Inc. v. Lawriter, LLC, 907 F.3d 1335 (11th Cir. 2018)

Parties were competitors in market for legal research services. Plaintiff had agreement with Georgia Bar whereby it provided Georgia law database, including Georgia Regulations, to members in exchange for per-member fee. To keep current on law, plaintiff visited Georgia Regulations

page on Secretary of State website. Secretary of State delegated duty of publishing Georgia Regulations to defendant. Defendant sent plaintiff cease-and-desist letter demanding that plaintiff stop offering Georgia Regulations, and plaintiff filed initial declaratory judgment action seeking declaration that defendant had no legal rights, by contract or copyright, to restrict publication of Georgia Regulations. District court dismissed case for lack of subject matter jurisdiction because defendant did not have copyright registration and because plaintiff did not meet jurisdictional minimum. During first suit, defendant added terms of use to Secretary of State website, which included liquidated damages clause. Plaintiff filed second declaratory judgment suit, district court again dismissed, and plaintiff appealed. Court first found that district court erred in finding lack of registration jurisdictional defect; lack of registration allows for 12(b)(6) motion, but not for dismissal on jurisdictional grounds. Court also found amount in controversy satisfied based on plaintiff's argument that each violation of defendant's site's terms subjected plaintiff to $20,000 liquidated damages, and plaintiff alleged it visited defendant's site daily. Because violating terms as few as four times would subject plaintiff to threat of liability in excess of $75,000, plaintiff's potential liability was not too speculative to satisfy amount-incontroversy requirement. Eleventh Circuit vacated and remanded.

Pablo Star Ltd. v. Welsh Gov't, No. 15-1167, 2019 U.S. Dist. LEXIS 54456 (S.D.N.Y. Mar. 29, 2019)

District court denied defendant's motion to dismiss. Plaintiffs, media companies that owned copyrights in two photographs depicting poet Dylan Thomas, sued Welsh Government, alleging infringement based on unauthorized use of photos in Welsh tourism advertisements targeting New York residents. Welsh Government moved to dismiss on basis of sovereign immunity. Foreign Sovereign Immunities Act (FSIA), sole source for subject matter jurisdiction over any action against foreign state, provides sovereign immunity to foreign state unless exception applies. Plaintiffs claimed three exceptions: (1) commercial activity exception; (2) noncommercial tort exception; and (3) expropriation exception. Court examined only commercial activity exception, which provides exception to FSIA when (1) foreign state engages in commercial activity in manner of private player within market, and (2) plaintiff's claim is based upon such commercial activity, i.e., significant nexus exists between foreign state's commercial activity in U.S. and plaintiff's cause of action. Court found that Welsh Government's use of plaintiffs' copyrighted photographs was "familiar manifestation of the manner in which any number of private travel agents or guides have been alleged to have used another's copyrighted materials" to supplement own products or services. In fact, Welsh Government dis-

tributed photographs of Dylan Thomas in form largely indistinguishable from form in which private parties had distributed copies of same photo. District court further found Welsh Government's commercial activities formed basis or foundation for plaintiff's claim of copyright infringement. Welsh Government argued that use of photos was not for profit but rather to encourage economic development and tourism in Wales. District court rejected argument, noting that whether foreign government's conduct is "commercial activity" as defined by FSIA depends not on whether government is acting with profit motive, but rather whether particular actions that state performs are type of actions by which private party engages in trade and traffic or commerce. Due in part to Welsh Government's development of infringing materials in New York, district court found sufficient evidence of Welsh Government carrying on commercial activities in U.S. relating to plaintiffs' claims. With subject matter jurisdiction established, district court denied motion to dismiss.

Lothan Van Hook Destafano Architecture, LLC v. SB Yen Mgmt. Grp., Inc., No. 18-275, 2018 U.S. Dist. LEXIS 207656 (N.D. Ill. Dec. 10, 2018)

District court denied defendant's motion to dismiss for lack of subject matter jurisdiction. Plaintiff architecture firm brought copyright infringement claim against defendant property manager. Plaintiff alleged that, after plaintiff created architectural and engineering plans for hotel property, owner of property terminated its contract with plaintiff, and defendant continued with construction through different architecture firm using plaintiff's architectural plans. Defendant moved to dismiss for lack of subject matter jurisdiction, arguing that purported copyright infringement claim was actually "state-law contract claim in disguise." Court assessed whether case was about copyright validity and infringement or about rights controlled by agreement between parties. Court found that plaintiff sought remedies expressly granted by Copyright Act, namely, injunction against further infringement, accounting of profits, actual damages, and attorneys' fees, and that plaintiff expressly alleged copyright infringement. "In this circuit, that is enough to confer subject-matter jurisdiction."

Kinon Surface Design, Inc. v. Hyatt Corp., No. 18-81065, 2019 U.S. Dist. LEXIS 13670 (S.D. Fla. Jan. 28, 2019)

District court denied defendant Hyatt Corporation's motion to dismiss. Plaintiff, manufacturer of proprietary panels used as decorative surface material in interior design projects, claimed copyright infringement in violation of U.S. and Chinese law. Plaintiff alleged that Hyatt used plaintiff's copyrighted pattern on decorative panels in Hyatt's new hotel in China without authorization, and subsequently displayed panels on Hyatt's U.S.

website as part of hotel marketing efforts. Hyatt filed motion to dismiss, arguing lack of subject matter jurisdiction on ground that allegedly infringing acts occurred in China. District court disagreed. As to subject matter jurisdiction under U.S. law, court found that Hyatt's display of plaintiff's copyrighted work on its U.S. website to market and promote its global business constituted infringing act, such that subject matter jurisdiction under federal copyright law existed. As to supplemental jurisdiction over claim under Chinese law, court found that factual allegations underlying both of plaintiff's infringement claims involved substantial overlap, and Hyatt failed to meet its burden of demonstrating sufficiently extraordinary circumstances to justify declining supplemental jurisdiction over claim for infringement under Chinese law.

Zaccari v. Discover Techs. LLC, No. 18-453, 2018 U.S. Dist. LEXIS 217668 (E.D. Va. Dec. 28, 2018)

Court granted in part defendant's motion to dismiss. Plaintiff alleged that defendant, government contractor, collaborated with U.S. government in engaging in copyright infringement. Court held that under 28 U.S.C. § 1498(b) Congress waived sovereign immunity for copyright claims against U.S. government, but that any such claims must be brought in Court of Federal Claims. Jurisdictional bar to district courts hearing copyright infringement claims against U.S. government applies to private parties that have infringed on behalf of government. Here, defendant was contractor of government and plaintiff's complaint included facts that purported that infringement occurred by U.S. government with support of defendant contractor. Court thus found that it lacked subject-matter jurisdiction to entertain copyright infringement claim against defendant.

Round to Fit, LLC v. Reimer, No. 18-272, 2019 U.S. Dist. LEXIS 53983 (S.D. Ind. Mar. 29, 2019)

Court denied defendant's motion for judgment on pleadings. Plaintiff, manufacturer of specialized exercise equipment, brought suit for declaratory judgment confirming it to be rightful author and copyright owner of software/source code under work made for hire doctrine. Defendant, former Chief Technology Officer of plaintiff, alleged that he wrote software code on his own time and using his personal computer. Defendant argued that court lacked subject matter jurisdiction because case was about copyright ownership turning on whether defendant was acting as plaintiff's employee under Indiana law when he wrote code. Defendant also argued that plaintiff failed to present "case or controversy" because it did not suffer "injury in fact" as required under Article III. Court rejected defendant's arguments, and found that it had subject matter jurisdiction because (1) plaintiff's request for declaratory judgment of authorship/ownership

"arose under" Copyright Act, requiring court to interpret Act's provisions; and (2) plaintiff sufficiently alleged Article III "case or controversy" because plaintiff had shown that it suffered requisite "injury in fact" based on defendant's denial of plaintiff's ownership rights under Act: plaintiff could not exercise any of the rights that authorship arising under federal law would vest in it as original owner if software were deemed work made for hire.

B. Personal Jurisdiction and Venue

In re McGraw-Hill Global Educ. Holdings LLC, 909 F.3d 48 (3d Cir. 2018)

Third Circuit held photographers were not bound by forum selection clause in contracts they did not sign, but declined to issue writ of mandamus transferring lawsuit to proper forum. Two photographers, New Jersey and Pennsylvania residents, submitted photos to stock photo agency Corbis for marketing purposes and signed representation agreement with New York choice of law and venue provision. Corbis subsequently sublicensed photographs to defendant McGraw-Hill, via agreement that contained New York forum selection clause. Photographers sued, alleging McGraw-Hill used photographs beyond terms of Corbis licenses; defendant moved to transfer venue to New York. In one case district court ruled transfer proper, and photographer sought writ of mandamus to stop transfer; in other case court ruled transfer improper, and McGraw-Hill sought writ ordering transfer to New York. Third Circuit held photographers were not bound by forum selection clause because photographers were not intended beneficiaries of sublicensing agreements, receiving no direct benefit therefrom. Furthermore, enforcement of forum selection clause would not have been foreseeable to photographers, non-signatories to sublicensing agreement. Sublicensing agreement stated "[a]ny dispute regarding this Agreement shall be governed by the laws of the State of New York"; Third Circuit found that copyright claims would ordinarily constitute dispute under forum selection clause of sublicensing agreement. However, because photographers were not signatories to sublicensing agreement, not intended third-party beneficiaries, and not closely related parties to Corbis and McGraw-Hill, scope of forum selection clause was "of little consequence." Third Circuit therefore ruled that transfer to New York by one district court was erroneous, but declined to issue writ of mandamus because error was not "clear and indisputable."

McGraw-Hill Glob. Educ. Holdings, LLC v. Khan, 323 F. Supp. 3d 488 (S.D.N.Y. 2018)

Court had personal jurisdiction under New York long-arm statute over defendants, who owned, controlled, and operated multiple illegal online websites and forums to create, store, and sell unauthorized digital copies of plaintiffs' instructor solutions manuals. Plaintiffs made test purchases and downloaded free samples from defendants' websites, confirming that defendants were providing customers in New York with digital copies of plaintiffs' works. Evidence that defendants owned and operated "highly interactive" websites, allowing prospective customers in New York to browse and purchase unauthorized copies of plaintiffs' works, established court's personal jurisdiction over defendants pursuant to C.P.L.R. § 302(a)(1). Personal jurisdiction was also established under C.P.L.R. § 302(a)(3)(ii), under which New York copyright owner alleging infringement sustains in-state injury when its printed literary work is uploaded without permission onto Internet for public access.

Sygall v. Pitsicalis, No. 18-2730, 2018 U.S. Dist. LEXIS 194562 (S.D.N.Y. Nov. 14, 2018)

Court denied defendants' motion to dismiss for improper venue. Plaintiff, visual artist, brought copyright infringement claim against defendants for reproducing plaintiff's photograph from Jimi Hendrix photoshoot on commercial marijuana products and on their website and social media. Defendants moved to dismiss for improper venue, relying on general venue statute, 28 U.S.C. § 1391, ignoring that specific venue statue, § 1400, governs copyright actions. Section 1400(a) provides that venue is proper in any "district in which the defendant or his agent resides or may be found." Defendant "may be found" wherever it is amenable to personal jurisdiction. Under New York long-arm statute, personal jurisdiction is found when out-of-state defendant sells copyright-infringing products over Internet to customers in New York. Plaintiff alleged that defendants sold and shipped goods infringing his copyright into New York, meeting *prima facie* burden of demonstrating proper venue under C.P.L.R. § 302(a). Defendants also had "minimum contacts" with New York sufficient to comport with due process; defendants sold and received payment in New York State for products that allegedly infringed plaintiff's copyright. Thus, defendants could reasonably have expected to be subject to suit in New York, and exercise of jurisdiction over defendants did not violate constitutional guarantee of due process.

Freeplay Music, LLC v. Nian Infosolutions Private Ltd., No. 16-5883, 2018 U.S. Dist. LEXIS 115659 (S.D.N.Y. July 10, 2018)

Online music library Freeplay sued Nian, commercial website providing information about Indian films (including New York and California screenings thereof), for willfully infringing Freeplay's copyrights in musical sound recordings. Magistrate found that India-based Nian was subject to personal jurisdiction in New York under federal long-arm statute, Fed. R. Civ. P. 4(k)(2), which permits federal district court to exercise personal jurisdiction where (1) claim arises under federal law; (2) defendant is not subject to jurisdiction in any state; and (3) exercise of jurisdiction is "consistent with the United States Constitution and Laws," which in turn requires defendant to have minimum contacts with U.S., and assertion of jurisdiction to be reasonable in particular case. Nian had sufficient minimum contacts for specific jurisdiction because 130,000 unique U.S. visitors accessed Nian's site over one million times; Nian provided information about U.S. film showtimes; and Nian apparently solicited advertising from U.S. persons. Exercise of jurisdiction over Nian was reasonable because United States has substantial interest in enforcing intellectual property rights; litigation in India would be far less convenient for Freeplay; and need for Nian to travel to New York, by itself, was insufficient to defeat reasonableness finding. Magistrate held that exercise of specific personal jurisdiction over Nian was appropriate.

Energy Intelligence Grp., Inc. v. Bank of Am., N.A., No. 17-3767, 2018 U.S. Dist. LEXIS 112068 (S.D. Tex. July 5, 2018)

Court denied defendant's motion to transfer venue from Houston to New York, finding that, on balance, defendant failed to establish that New York was clearly more convenient than plaintiff's chosen venue. Plaintiff, producer of specialized publications for energy industry, sued subscriber, Bank of America, for infringement resulting from repeated alleged violations of licensing agreement relating to subscription. Both companies had offices in New York and Houston, and plaintiff alleged that instances of infringement related to defendant's Houston and New York offices. Defendant moved to transfer venue, arguing that more of likely witnesses resided in New York and, because plaintiff was headquartered in New York, more documentary sources of proof likely were available there. Court sided with plaintiff, finding that defendant's emphasis on relative distribution of witnesses and evidence was not so strong that it established New York as clearly more convenient. Court reasoned that case had considerable contacts with both venues, that Houston had advantage of markedly quicker median time to disposition, that courts in both venues were familiar with copyright law and therefore there were no concerns regard-

ing conflicts of law, and that courts in Houston were less congested. Accordingly, court denied defendant's venue transfer motion.

Kinon Surface Design, Inc. v. Hyatt Corp., No. 18-81065, 2019 U.S. Dist. LEXIS 13670 (S.D. Fla. Jan. 28, 2019)

District court denied defendant's motion to dismiss. Plaintiff, manufacturer of proprietary panels used as decorative surface material in interior design projects, claimed copyright infringement against Hyatt in violation of U.S. and Chinese copyright law. Plaintiff alleged that Hyatt used plaintiff's copyrighted pattern on decorative panels in Hyatt's new hotel in China without authorization and subsequently displayed such panels on Hyatt's U.S. website as part of its marketing efforts. Hyatt filed motion to dismiss, arguing lack of personal jurisdiction. Court found that it was permitted to exercise personal jurisdiction over Hyatt because both Florida long-arm statute and constitutional due process requirements were satisfied. Personal jurisdiction was proper under Florida long-arm statute not only because plaintiff, whose primary place of business is in Florida, suffered injury in Florida, but also because infringing activity occurred in Florida by virtue of fact that website was accessed by residents in Florida. Hyatt's alleged unauthorized display on its website, combined with Hyatt's substantial business activities in Florida and fact that plaintiff was based and was injured in Florida, rendered Hyatt's minimum contacts with Florida sufficient for due process purposes.

Estate of Chatmon v. Warner Music Grp. Corp., No. 16-2722, 2018 U.S. Dist. LEXIS 107276 (M.D. Tenn. June 27, 2018)

District court dismissed without prejudice Estate of Armetia Chatmon's complaint against Eric Clapton stemming from Clapton's alleged infringement of musical composition "Corrine, Corrina." In 1992 Clapton, London resident, recorded episode of MTV's "Unplugged" show where he performed "Corrine, Corrina," which he called "Alberta, Alberta." In 2013, Clapton's "Unplugged" album, which featured his Unplugged performance of "Corrine, Corrina," was remastered and rereleased. Plaintiff filed suit, and Clapton moved to dismiss based on lack of personal jurisdiction. To meet burden of showing personal jurisdiction plaintiff must show that (1) defendant purposely availed himself of privilege of acting in forum state; (2) cause of action arose from defendant's activities in forum state; and (3) defendant's acts have substantial connections to forum state to make exercise of personal jurisdiction reasonable. Estate argued that Clapton availed himself of privilege of acting in forum by placing song in stream of commerce, which extended to Tennessee. In attempting to satisfy "stream of commerce plus" test, Estate argued Clapton directed that songs be sold in Tennessee. Court noted, however, that Estate did not

allege that Clapton entered into nationwide distribution agreement, but simply assumed Clapton had at least partial control over distribution. Alternatively, Estate argued court could exercise jurisdiction over Clapton pursuant to Rule 4(k)(2), which permits personal jurisdiction over foreign defendant where "(1) the plaintiff's claim arises under federal law, (2) the defendant is not subject to personal jurisdiction in the courts of any state, and (3) the exercise of jurisdiction satisfies due process requirements." Court found first two elements were satisfied, but due process was not; causes of action did not arise from Clapton's contacts with U.S.

Edwards v. Vemma Nutrition, No. 17-2133, 2018 U.S. Dist. LEXIS 121403 (D. Ariz. July 20, 2018)

Plaintiff brought copyright infringement claims against defendants for allegedly copying and selling, or contributing to copying and selling of, plaintiff's copyrighted material, including books and video recordings about dietary supplements. Defendants Haresh Mehta, South Carolina resident, and Tom and Bethany Alkazin, Nevada residents, moved to dismiss for lack of personal jurisdiction. Three-element test to determine whether non-resident defendant "purposefully directed" actions to forum state required that defendant have "(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." Plaintiff's complaint alleged business relationship with defendants, but did not include facts that established that plaintiff suffered harm in Arizona from defendants' actions. Court granted defendants' motions to dismiss, with leave for plaintiff to amend complaint within 30 days.

Fox v. Berenis, No. 17-2066, 2018 U.S. Dist. LEXIS 203859 (D. Or. Dec. 3, 2018)

District court granted motion to dismiss for lack of personal jurisdiction. Plaintiff, professional graphic designer in Oregon, brought infringement claims against defendants including Big Frog Custom T-Shirts, Inc., franchisor with its principal place of business in Florida and no offices or employees in Oregon. Big Frog moved to dismiss case for lack of personal jurisdiction. Plaintiff argued that two franchise stores in Oregon, which generated combined revenue of $700,000, provided "continuous and systematic contacts" between Big Frog and Oregon, and that Big Frog actively managed Oregon stores from Florida. Court found, however, that two franchised stores in Oregon did not provide minimum contacts between Big Frog and Oregon sufficient to subject Big Frog to general jurisdiction in Oregon. Nor could court exercise specific jurisdiction over Big Frog. Under Supreme Court's holding in *Walden v. Fiore*, Big Frog's alleged knowledge of plaintiff's residency in Oregon no longer satisfied "ex-

pressly aimed" prong of test for specific jurisdiction; plaintiff had not shown that Big Frog purposefully directed its activities at or consummated some transaction within forum. Court accordingly granted Big Frog's motion to dismiss for lack of personal jurisdiction.

C. *Pleadings*

Krechmer v. Tantaros, No. 17-4061, 2018 U.S. App. LEXIS 23956 (2d Cir. Aug. 24, 2018)

Plaintiff Michael Krechmer, a/k/a "Michael Malice," brought DMCA and contract claims against defendants Andrea Tantaros and Astero, LLC involving authorship of defendant Tantaros' book *Tied Up in Knots*. Defendants moved to dismiss plaintiff's claim under DMCA because plaintiff did not allege facts sufficient to support DMCA claim. District court dismissed plaintiff's complaint under Rule 12(b)(6), and Second Circuit affirmed dismissal. In order to properly bring DMCA claim, plaintiff would have had to plead facts sufficient to establish that defendant (1) provided copyright management information ("CMI") that was false, or (2) distributed or imported for distribution CMI that was false. CMI includes name of owner of work and name of author of work. Even though defendants did not include plaintiff's name on book and included Tantaros as author, contract between parties specified that Tantaros would be sole author on book. Accordingly, plaintiff did not plead facts sufficient to establish that defendants knowingly included false CMI, and failed to state plausible DMCA claim.

Conan Props. Int'l LLC v. Sanchez, No. 17-162, 2018 U.S. Dist. LEXIS 138203 (E.D.N.Y. Aug. 15, 2018)

Plaintiff, owner of copyrights in comic books and graphic novels featuring Conan the Barbarian and six other characters, sued defendant for copyright infringement, based on defendant's manufacture, display, and sale of miniature sculptures of Conan and other copyrighted characters. Defendant defaulted, and plaintiff moved for default judgment. Court referred plaintiff's motion to magistrate judge and largely adopted recommendation, finding infringement adequately pleaded. Considering ownership and registration of works, court found that characters were elements of, and not separate from, underlying literary and graphic works in which they appeared and, therefore, plaintiff's allegation of ownership and registration of literary work satisfied requirement to plead ownership and registration of valid copyrights. Considering how and when infringement occurred, court found plaintiff's allegations of infringing actions, in addition to Facebook screen shots of products at issue showing month and day, were sufficient. Court, disagreeing with magistrate judge, found that

plaintiff was not required to include allegations regarding originality or substantial similarity at this stage, as these issues were not raised by defendant. Accordingly, court found defendant liable for infringement of all seven characters.

Batra v. PopSugar, Inc., No. 18-3752, 2019 U.S. Dist. LEXIS 20299 (N.D. Cal. Feb. 7, 2019)

Court denied defendant's motion to dismiss for failure to properly plead copyright infringement claim. Plaintiff, Instagram influencer, alleged in class action lawsuit that defendant copied thousands of influencers' Instagram images for use on defendant's own website. Defendant contended that plaintiff was not eligible for statutory damages because plaintiff did not allege registration dates of infringed works and therefore did not satisfy § 412 of Copyright Act. However, plaintiff did include alleged dates of infringement, as well as allegations that she and other subclass members had applied for registration for contested images, in complaint. Accordingly, court found complaint was sufficient to survive motion to dismiss at pleading stage. Court noted, however, that plaintiff would be required to establish copyright registration dates that satisfied § 412 in order to survive summary judgment or to serve as class representative.

McGucken v. Chive Media Grp., LLC, No. 18-1612, 2018 U.S. Dist. LEXIS 115635 (C.D. Cal. Jul. 11, 2018)

Court granted in part and denied in part defendant's motion to dismiss. Plaintiff photographer brought direct and vicarious/contributory infringement and DMCA claims against defendant. Plaintiff alleged that defendant published plaintiff's copyrighted photographs on its website, and removed plaintiff's copyright management information as defined under DMCA. Defendant moved to dismiss plaintiff's prayer for statutory damages and attorneys' fees for "failure to identify (1) the date the alleged infringement commenced, (2) the date the copyrights were allegedly registered, and (3) the date of first publication of the works as required by § 412." Court rejected plaintiff's argument that defendant's challenge to statutory damages request was premature; decision on availability of statutory remedies was not premature because plaintiff's pleadings contained request for award of statutory damages and attorneys' fees. Plaintiff did not provide date of registration of copyrights or alleged infringement. Court did not agree with plaintiff that dates of infringement were within control of defendant; alleged infringement occurred on "single publicly accessible website." URLs included with every photograph in exhibit to complaint contained date, "which is likely the date of the post. Consequently, Plaintiff is able to plead the dates of infringement for each photo-

graph." By not including any of these dates, plaintiff failed to properly plead facts sufficient for prayer for statutory damages. Court accordingly granted defendant's motion as to plaintiff's prayer for statutory damages and attorneys' fees.

Hall v. Daniels, No. 18-1349, 2018 U.S. Dist. LEXIS 134012 (N.D. Ill. Aug. 9, 2018)

District court granted defendant's motion to dismiss plaintiff's copyright infringement claim for failure to state claim. Plaintiff alleged that she wrote and registered with Copyright Office book entitled *Girl, You Ain't Gonna Make It, So They Said*, and audiobook version of same entitled *I'm Breaking Through*. At February 2013 "pitch fest," plaintiff allegedly pitched her book to 10 producers, and connected with defendant self-publishing resource provider Author Solutions (ASL), which sent her novel to four Hollywood producers. Subsequently, plaintiff claimed, defendants producer Lee Daniels and Twentieth Century Fox (TCF) turned her book into television series *Empire* without her authorization. Because plaintiff failed to allege that ASL copied her work, but instead alleged only that ASL forwarded her book to Daniels and TCF, plaintiff failed to state copyright infringement claim against ASL.

Architecttura Inc. v. DSGN Assocs., No. 16-3021, 2018 U.S. Dist. LEXIS 124468 (N.D. Tex. July 25, 2018)

Court granted in part and denied in part motion to dismiss. Plaintiff architectural firm created architectural drawings and renderings, and contracted with defendant Bolin to create various housing projects using plaintiff's works. Other defendants include entities and individuals who worked on housing projects in dispute. Plaintiff alleged defendants used architectural drawings and renderings in marketing materials. Plaintiff brought suit for direct and vicarious infringement against Bolin defendants and also asserted breach of contract claims against various Bolin defendants. Bolin defendants moved to dismiss. As to direct infringement claim, moving defendants argued that plaintiff did not sufficiently allege access, probative similarity, and substantial similarity. Court found plaintiff adequately alleged probative and substantial similarity by comparing plaintiff's copyright registrations and marketing materials and renderings. Court found plaintiff sufficiently alleged access as to certain defendants, but as to others it found allegations insufficient and not supported by pleaded facts. Further, court found that even if it found that plaintiff sufficiently pleaded access as to second set of defendants, it would still dismiss plaintiff's claims because they were too vague, as plaintiff did not name many of entities and instead referred to conduct committed by "Bolin Entities." Accordingly, as to these defendants, court found sparse pleadings

did not satisfy Rule 8. On vicarious liability claim, plaintiff insufficiently relied on organizational charts for claim that almost all moving parties had right and opportunity to supervise infringing conduct. Because court found plaintiff failed to allege both elements of vicarious liability against all moving defendants except for Bolin, court dismissed vicarious liability claim against these other parties. Moving defendants also argued that plaintiff's breach of contract claim was preempted, but court rejected argument, stating only that "pleadings are sufficient to survive a Rule 12(b)(6) attack based on preemption." Because plaintiff had already had three chances to amend its complaint, court denied leave to replead.

Energy Intelligence Grp., Inc. v. Bank of Am., N.A., No. 17-3767, 2018 U.S. Dist. LEXIS 112068 (S.D. Tex. July 5, 2018)

Court denied defendant's motion to dismiss plaintiff's infringement claim. Bank of America subscribed to specialized publications for energy and financial industries produced by plaintiff. Agreement between parties relating to subscription defined scope as limited, nonexclusive, and nontransferable, allowing authorized users to download publications only for their respective individual referential use and for occasional distribution to few individuals in non-systematic manner in ordinary course of business. Plaintiff sued Bank of America, alleging that employees of defendant that were authorized users were regularly and widely sharing publications with other employees, including posting publications to internal library system. Defendant moved to dismiss, arguing that no infringement occurred due to existence of license agreement or, alternatively, that plaintiff did not adequately allege specific acts of infringing conduct by defendant's employees. Court disagreed, finding that plaintiff properly stated claims for infringement based on violation of license agreement. Court also found that, at pleading stage, where discoverable information was "in the control and possession of a defendant," it was not necessarily plaintiff's responsibility to provide that information in complaint, but instead to allege facts upon information and belief, as plaintiff did here.

Raju v. Murphy, No. 17-357, 2019 U.S. Dist. LEXIS 32621 (S.D. Miss. Feb. 28, 2019)

After removal of action from state court, plaintiff sought to amend complaint to add infringement claim, alleging that defendant stole plaintiff's surgical video and used video without permission to develop separate surgical program. Defendant argued that amendment was futile. First, defendant argued that Copyright Act did not protect plaintiff's surgical procedures. Court rejected argument, finding that plaintiff alleged copyright violation based on use of surgical videos, not surgical procedures, which would not be subject to copyright protection. Second, defendant

further argued that plaintiff did not allege ownership of valid copyright. Court rejected argument, finding that plaintiff's submission of application for copyright registration of surgical videos alleged ownership of valid copyright, even though plaintiff was still awaiting issuance of registration certificate at time of suit. Third, defendant argued that plaintiff failed to allege actionable copying because plaintiff alleged only that defendant "took" surgical video without permission, rather than alleging defendant actually used it in defendant's work, or alleging substantial similarity. Court rejected defendant's argument, finding that fact that plaintiff alleged defendant used stolen video to develop separate surgical program was sufficient to allege actionable copying through circumstantial evidence. Court therefore allowed plaintiff to amend complaint to include copyright infringement claim.

D. Standing

Creazioni Artistiche Musicali, S.r.l. v. Carlin Am., Inc., No. 17-266, 2018 U.S. App. LEXIS 23765 (2d Cir. 2018)

Plaintiff alleged it obtained copyrights in works by composer Piero Umiliani by way of written agreement executed in Rome in 1966. Plaintiff brought infringement suit against defendants for infringement based on licensing of allegedly unauthorized derivative work – "Mah Na Mah Na" – to third parties. District court granted motion to dismiss, finding plaintiff lacked standing because 1966 agreement, as interpreted under Italian law, did not give CAM exclusive right to create and exploit derivative works. Plaintiff appealed, and Second Circuit affirmed. While district court found choice-of-law to be first question in determining plaintiff's rights pursuant to 1966 agreement, Second Circuit found result would be same under Italian or United States law. Under either Italian law or 1909 Act, agreement did not contain "clear expression of intent necessary to transfer full ownership of [work to plaintiff], which necessarily includes the right to create and exploit derivative works." Because plaintiff did not have exclusive right to exploit derivative works, plaintiff lacked standing to sue for infringement.

Saint-Amour v. The Richmond Org., Inc., No. 16-4464, 2019 U.S. Dist. LEXIS 54620 (S.D.N.Y. Mar. 27, 2019)

Plaintiffs challenged defendants' protectable copyright interest in American folk song "This Land is Your Land," seeking declaratory judgment that defendants' copyright was invalid and that song was in public domain. Plaintiffs had already paid mechanical license to produce cover version of song, and now wished to distribute new version of song with same lyrics and different melody. Defendants moved to dismiss complaint for lack of

standing, arguing that, as plaintiffs had already obtained compulsory mechanical license to song and had not alleged any further contact with defendants, no reasonable apprehension of suit for copyright infringement existed. Plaintiffs disagreed, arguing that because of defendants' claim of copyright ownership, plaintiffs could be subject to substantial statutory penalties, attorneys' fees, and costs if they were to release new version without first obtaining license to create derivative work. District court held that although no reasonable apprehension of imminent suit against plaintiffs existed, plaintiffs' own actions – i.e., mechanical license – had eliminated imminent threat of harm. Potential dispute was therefore not hypothetical or abstract in nature. Furthermore, in recording new version of song, plaintiffs had demonstrated "intent and apparent ability necessary to commence use" of disputed copyright. District court found litigation likely to commence if and when plaintiffs released new version of song, and consequently held plaintiffs had standing to assert claims.

Joint Stock Co. "Channel One Russ. Worldwide" v. Russian TV Co., No. 18-2318, 2019 U.S. Dist. LEXIS 27991 (S.D.N.Y. Feb. 21, 2019)

District court denied defendants' motion to dismiss plaintiff's claims of direct and secondary copyright infringement. Plaintiff produced and broadcast television programming in Russian Federation, and entered into licensing agreements with third parties granting exclusive right to broadcast and re-broadcast plaintiff's programming in U.S. Defendant owned and operated website through which it provided unauthorized access to Programming in U.S, and sold "set-top boxes" that facilitated unauthorized access to programming. Plaintiff filed suit asserting infringement and DMCA claims. Defendants moved to dismiss. Under Berne Convention, author who is national of one of member states of Berne, or who first publishes work in any such member state, is entitled to same copyright protection in each other member state as such other state accords to its own nationals. Complaint alleged facts that reasonably showed that plaintiff was owner of exclusive right to reproduce programming in copies under Russian law. Defendants argued plaintiff no longer possessed exclusive rights since plaintiff entered into licensing agreements that provided third parties with exclusive rights to broadcast and re-broadcast plaintiff's programming in U.S. Court held that exclusive license to broadcast and rebroadcast programming in U.S. may have transferred right to publicly perform programming, but did not transfer right to reproduce programming.

Therefore, plaintiff had standing to bring suit in U.S.

Fed'n of State Massage Therapy Bds. v. Mendez Master Training Ctr., Inc., No. 17-2936, 2018 U.S. Dist. LEXIS 136746 (S.D. Tex. Aug. 14, 2018)

Plaintiff created and administered countrywide licensing examination that analyzed candidates' massage and bodywork competency, and results of exam were used by agencies to evaluate applicants for licensure. Plaintiff alleged defendants received and reproduced exam questions without authorization and sold questions and answers to potential test takers, resulting in alleged frustration of exam integrity and licensure process, and requiring plaintiff to revoke hundreds of exam questions and spend resources to create new ones. Plaintiff brought claims for direct and contributory infringement; misappropriation of trade secrets under Texas, California, and federal law; tortious interference with contract; breach of contract; and violation of Texas Harmful Access by a Computer Act. Defendants moved to dismiss, arguing that plaintiff lacked standing under Copyright Act because it was federal or quasi-federal agency, and that plaintiff was unlawful state compact and lacked capacity to sue. Court found defendants did not support argument that plaintiff was federal or quasifederal agency, nor was it clear how it could be, as evidence of alleged relationship with government was lacking. Court similarly rejected argument that plaintiff was illegal state compact, noting that "critical inquiry in determining whether such an agreement falls under the Compact Clause is the extent to which the agreement actually or potentially impacts the federal structure. Specifically, the Constitution's Compact Clause scope is limited to agreements that are directed to the formation of any combination [of states] tending to the increase of political power in the States, which may encroach upon or interfere with the just supremacy of the United States." As plaintiff failed to allege any facts to support this claim, court denied motion on this ground.

Latele Prods. v. Azteca Int'l Corp., No. 16-25347, 2018 U.S. Dist. LEXIS 216216 (S.D. Fla. Dec. 21, 2018)

Magistrate judge recommended that defendants' motion to dismiss for lack of standing be granted. Plaintiff production company sued defendants for copyright infringement based on wrongful purchase, production, broadcast, and distribution of two telenovelas. Defendants moved to dismiss on basis that plaintiff lacked standing because it was not, at time suit was filed, legal or beneficial owner of copyrights at issue, and adduced substantial evidence that transfer of ownership of copyrights to plaintiff did not occur as alleged, and that copyrights were not and never had been registered in plaintiff's name. Court found by preponderance of evidence that transfer did not occur pursuant to assignment, as alleged in amended

complaint. Plaintiff similarly failed to offer any evidence to prove its registration of copyrights in question.

E. Miscellaneous

Philogene v. Duckett, No. 17-7224, 2018 U.S. Dist. LEXIS 139029 (S.D.N.Y. Aug. 16, 2018)

Court denied defendant's motion to stay or dismiss plaintiff's infringement claim. Plaintiff and defendant were co-owners of marketing company, Verity, and each party agreed not to own, manage, or work for any competing business. In 2009, Verity began selling recipe books authored by defendant, including *America's Most Wanted Recipes* and *More of America's Most Wanted Recipes*, and registered copyrights for recipe books in name of Verity. Defendant then created separate entity and began selling similar products. Upon discovering new company, plaintiff sued defendant for misappropriation. While litigation was pending, defendant authored new recipe books in "America's Most Wanted" series, registering copyrights for new volumes in defendant's name. Plaintiff brought infringement claim in separate federal court action, alleging that defendant's new recipe books infringed Verity's copyrights in first two volumes of series. Defendant moved to stay based on pending state court action, or to dismiss, arguing that plaintiff had pleaded ownership claim that was time-barred. Court disagreed, holding that action fundamentally concerned infringement, not ownership, and, in any case, defendant had failed to dispute Verity's ownership. Court also found that convenience of granting stay did not outweigh other factors, including that instant action involved federal copyright claims, which cannot be brought in state court, that parties and issues in two actions were not substantially identical, and that it was not clear that pending state action would be resolved any time soon.

D'Pergo Custom Guitars, Inc. v. Sweetwater Sound, Inc., No. 17-747, 2019 U.S. Dist. LEXIS 6074 (D.N.H. 2019)

Plaintiff guitar manufacturer and vendor brought suit against defendant, online musical instrument vendor, for use of photo of plaintiff's guitar necks. Court considered plaintiff's motion to compel defendant's documents dated more than three years from commencement of suit. Defendant argued that *Petrella v. MGM* limited plaintiff's recovery and discovery to three years before commencement of suit. Court, however, found portion of *Petrella* on which defendant relied *dicta*, and therefore insufficient ground on which to rely for nonproduction. Court allowed plaintiff to seek information regarding damages from prior to December 26, 2014.

II. COPYRIGHTABILITY

A. Originality

Skidmore v. Led Zeppelin, 905 F.3d 1116 (9th Cir. 2018)

Plaintiff, trustee to Randy Craig Wolfe Trust, brought suit against defendants, alleging that portions of Led Zeppelin's "Stairway to Heaven" infringed song "Taurus," written by Wolfe. After five-day trial, jury returned verdict for defendant. Plaintiff appealed, and because Ninth Circuit found many of trial court's instructions erroneous and prejudicial, court vacated in part and remanded for new trial. Court found trial court's failure to provide instruction that original selection and arrangement of otherwise unprotectable elements was protectable was prejudicial. Trial court also erred in providing instruction that "common musical elements, such as descending chromatic scales, arpeggios or short sequences of three notes" are unprotectable, and in providing instruction that failed to note that original portion of work need not be novel as long as it is not copied. In sum, court concluded that district court's originality jury instructions erroneously instructed jury that public domain elements are not copyrightable, even if they are modified in original manner or included as part of selection and arrangement. Court found no error in trial court's finding that sheet music deposit copy of "Taurus," rather than sound recording, circumscribed scope of copyrighted work for unpublished musical works under 1909 Act. Court also found trial court erred when it did not allow recordings of "Taurus" to be played to show access, but held error to be harmless.

Pohl v. MH Sub I, LLC, No. 18-13233, 2019 U.S. App. LEXIS 13132 (11th Cir. May 1, 2019)

Eleventh Circuit reversed and remanded district court's grant of summary judgment to defendant. Plaintiff, cosmetic dentist with practice of taking "before and after" photographs of his patients and displaying them on his website, brought infringement action against defendant web designer, alleging that "defendant created websites for its clients that reproduced and publicly displayed his copyrighted before and after photographs" of one of his patients without authorization. District court granted summary judgment for defendants, holding that plaintiff's "before and after" photographs were not copyrightable because no reasonable jury could find such photos sufficiently creative or original to warrant copyright protection. Eleventh Circuit disagreed, finding that district court improperly weighed evidence, and holding that overall record created genuine issues of material fact as to whether plaintiff "made sufficiently creative decisions in taking [his patient's] photographs, 'no matter how crude, humble, or obvious'

they may have been." Eleventh Circuit noted that "photographs need only possess some minimal degree of creativity"; while plaintiff "may not have carefully staged [his patient] and adjusted the lighting as a professional photographer might have, that is not the standard," and it could not be said that plaintiff's photographs were "slavish copies of an underlying work." Court found that plaintiff's selection of timing and subject matter of photographs, as well as his choice of lighting, angles, and desired expression, distinguished instant case from cases involving "purely descriptive photographs of products."

Griffin v. Sheeran, 351 F. Supp. 3d 492 (S.D.N.Y. 2019)

District court denied plaintiffs' motion for summary judgment. Plaintiffs, heirs of Edward B. Townsend, who co-wrote musical composition "Let's Get It On" ("LGO") with Marvin Gaye, sued Ed Sheeran, alleging Sheeran's "Thinking Out Loud" ("TOL") infringed copyright in LGO. Court noted that in context of musical compositions, common elements are not entitled to copyright protection because they are no longer original and are already in public domain. Unprotectable elements include key, meter, tempo, common song structures, common chord progressions, common melodies, and common percussive rhythms. Since parties' experts disagreed as to whether specific chord progression and harmonic rhythm in both compositions were unprotectable as commonplace musical elements, summary judgment was denied. Question of whether musical elements in LGO were original and sufficiently creative to warrant copyright protection should be determined at trial.

Siegler v. Sorrento Therapeutics, Inc., No. 18-1681, 2019 U.S. Dist. LEXIS 23779 (S.D. Cal. Feb. 13, 2019)

Court granted defendant's motion to dismiss. Plaintiff and defendant, both researchers and developers of pharmaceutical products, collaborated to develop new chimeric antigen receptor T cell-based therapeutics for virology and oncology purposes. Plaintiff created two "work products" as part of collaboration, which encompassed two text-based scientific articles, which were registered for copyright. Plaintiff sued defendant researcher and defendant's corporate entity for infringement, alleging that defendants performed experimental trials similar to those plaintiff described in her copyrighted works. Defendants argued that plaintiff failed to state claim of unlawful appropriation because plaintiff only alleged infringement of ideas, not copyrightable aspects of her work. Court agreed with defendants, finding that plaintiff's pleading only sought to protect non-copyrightable ideas and scientific processes, not unlawful copying of copyrighted articles. Copyright in work describing how to perform process does not extend to process itself; to protect such processes plaintiff would

be required to secure patent protection. Since plaintiff had no patent over subject matter of works, plaintiff could not preclude others from making use of concepts inherent in works. Court dismissed infringement claims without prejudice.

Pohl v. MH Sub I, LLC, 314 F. Supp. 3d 1225 (N.D. Fla. 2018)

Court granted defendant's motion for summary judgment. Plaintiff was dentist who took before-and-after photographs of patients. Plaintiff conducted reverse image search for particular pair of photos and found seven other sites using them, with all sites listing defendant Officite as designer or developer. Defendant moved for summary judgment, and plaintiff moved for partial summary judgment. Defendant argued that plaintiff's copyright was limited to appearance of website in 2000 because plaintiff's registration for website identified year of completion and first publication as 2000. Because photos in question were taken in 2004, defendant argued that registration could not cover works. Court found plaintiff entered erroneous date on application form, but raised question of fact as to whether he submitted 2005 version of website, including photos at issue, as deposit copy. However, court found that no reasonable juror could find photos copyrightable because they were "neither creative nor original." Although originality is not high standard, court found "Pohl's before-and-after photos of Belinda's incisors and canines fail to meet it." Plaintiff did not know what camera he used to capture work, or whether patient was sitting or standing in photos. "There is nothing remotely creative about taking close-up photographs of teeth. The before-and-after shots served the purely utilitarian purpose of displaying examples of Pohl's dental services to potential customers. They do not merit copyright protection."

Design Basics, LLC v. Ashford Homes, LLC, No. 17-273, 2018 U.S. Dist. LEXIS 212442 (S.D. Ohio Dec. 18, 2018)

Court granted in part and denied in part plaintiffs' motion for partial summary judgment on issue of ownership of valid copyrights in six architectural works comprised of elevations and floor plans. Plaintiffs contended that copyright registrations created presumption of originality and nonfunctionality. Defendants challenged originality of designs. Court recognized that, while standard configurations of spaces, and individual features such as windows, doors, and other staple building components could not be protected, arrangement of standard elements could meet minimum threshold of creativity. Court concluded that plaintiffs' home design plans possessed requisite degree of creativity, and granted plaintiffs' motion for summary judgment on sole basis that they owned valid copyrights.

B. Pictorial, Graphic and Sculptural Works

Diamond Collection, LLC v. Underwraps Costume Corp., No. 17-61, 2019 U.S. Dist. LEXIS 11737 (E.D.N.Y. Jan. 22, 2019)

District court granted in part and denied in part motion to dismiss counterclaims. Plaintiff and defendant sold Halloween costumes. At end of 2016, defendant saw plaintiff distributing catalog, and believed catalog and costumes displayed in catalog looked like its own. Plaintiff filed action seeking declaratory judgment that it was not infringing defendant's IP rights; defendant's first answer contained counterclaims under federal and state law. Court previously granted motion to dismiss counterclaims, finding state law claims preempted, and federal infringement claim insufficiently pleaded because plaintiff failed to describe its copyrighted patterns or state how catalogs were substantially similar. Court granted defendant leave to replead infringement counterclaim, and plaintiff again moved to dismiss. Court rejected plaintiff's argument that defendant did not plead in writing how costumes were substantially similar; defendant attached photos of parties' works to amended answer, and court "believe[d] that in this case, photos are a more accurate and efficient way to demonstrate the similarities. . . . It is certainly more effective here to show how two things look the same than to tell how two things look the same." Applying *Star Athletica* test, court found defendant sufficiently pleaded separability because, court found, there were elements of defendant's works, such as ruffles and bowties, "with clear graphic and artistic qualities"; and "all of these features could be removed from the costumes." Court found infringement counterclaim sufficiently pleaded, and denied motion to dismiss.

Robert Swedroe Architect Planners, A.I.A., P.A. v. J. Milton & Assocs., No. 18-62715, 2019 U.S. Dist. LEXIS 35822 (S.D. Fla. Mar. 6, 2019)

District court denied defendants' motion to dismiss. Plaintiff, architectural firm, sued defendants, real estate developer and architectural design company, for direct and contributory infringement of plaintiff's copyright in architectural plans for building to be constructed on certain property in Florida. Defendants moved to dismiss, arguing that complaint failed to state claims for copyright infringement because copyright for "pictorial, graphic, or sculptural work" does not protect "against construction of the building, even if they were copied from that design." Court disagreed, and found that plaintiff adequately alleged elements of infringement claim, namely that (1) plaintiff owned valid copyright in its architectural plans and designs; and (2) defendants copied original elements of plaintiff's protected work. Court declined to determine whether as matter of law plain-

tiff's copyright protected it from activity alleged in complaint, in light of lack of development of factual record. Court also found plaintiff sufficiently alleged claim for contributory infringement against defendant real estate developer because plaintiff demonstrated that such defendant had "reason to know" of defendant architectural company's infringing activity, particularly given availability of plaintiff's architectural plans in public record. Lastly, court disagreed with defendant's argument that complaint should be dismissed because it inaccurately alleged that defendant real estate developer was owner of property at issue and deed indicated property was owned by another third party. Court found that ownership of property at issue was not material to claims asserted in complaint.

Art of Design, Inc. v. Pontoon Boat, LLC, No. 16-595, 2018 U.S. Dist. LEXIS 101321 (N.D. Ind. June 18, 2018)

Court denied defendant's motion to dismiss plaintiff's infringement claim. Plaintiff, designer of custom artwork for boats, entered into agreement permitting defendant, seller of marine-industry products, to apply two registered designs to limited number of defendant's pontoon boats. However, plaintiff alleged that defendant also sold, advertised, and distributed other products, not covered by agreement, featuring plaintiff's designs. Defendant moved to dismiss, arguing that designs were not protectable because (1) one registration showed boat with design and therefore fell under useful article exception, and (2) second registration showed design consisting of unprotectable lines and shapes. Court disagreed, finding that defendant's arguments regarding protectability failed to attack sufficiency of plaintiff's infringement allegations. Considering useful article exception, court found defendant failed to explain why design could not exist as protectable work independent from utilitarian aspects of boat, and that in any case plaintiff's claim relied on defendant's copying of design and not on manufacturing of boat. Considering second argument, court agreed that rudimentary lines and shapes alone were not protectable, but cited defendant's failure to explain whether or why *combination* of such basic lines and shapes in plaintiff's design was not protectable. Accordingly, defendant's motion was dismissed.

C. *Compilations and Derivative Works*

ABS Entm't v. CBS Corp., 908 F.3d 405 (9th Cir. 2018)

Ninth Circuit reversed grant of summary judgment in favor of defendants on plaintiffs' state law copyright claims, holding district court's finding that plaintiffs' digitally remastered versions of pre-1972 analog sound recordings were independently copyrightable to be erroneous as matter of law. Plaintiff record labels owned pre-1972 sound recordings not subject to fed-

eral Sound Recording Act, which sets compulsory licensing regime for performance rights and exceptions thereto. Plaintiffs authorized remastering of pre-1972 sound recordings to optimize same for new digital format. Plaintiffs sued CBS under California state copyright law for delivering, without plaintiffs' authorization, remastered sound recordings via terrestrial radio and digital streaming. CBS successfully moved for summary judgment on ground that remastered sound recordings were authorized original derivative works subject only to federal copyright law. On appeal, Ninth Circuit noted that derivative work is copyrightable when (1) its original aspects are more than trivial, and (2) its original aspects reflect degree to which it relies on preexisting material and do not in any way affect scope of copyright protection in preexisting underlying material. As to first prong, Copyright Office Circular 65 defines derivative sound recording as one that (1) incorporates preexisting sounds but necessarily rearranges, remixes or otherwise alters character or sequence thereof (with changes to format, noise reduction, etc., being insufficient even if perceptible), and (2) contains minimum amount of original sound recording authorship. Plaintiffs' remastered sound recordings contained only sounds initially fixed before 1972, with no sounds removed, added or resequenced. Moreover, plaintiffs' intent in remastering sound recordings was to transfer recordings to another medium to take advantage of technological improvements without altering essential character and identity of underlying recordings. Because relatively low threshold of creativity required for copyrightability does not eliminate fundamental requirement of originality, plaintiffs' remastered sound recordings lacked minimum level of originality for copyrightability. As to second prong, district court failed to consider effect on plaintiffs' rights in original pre-1972 sound recordings if plaintiffs' remastered recordings were considered original derivative works, which constituted further legal error. Specifically, owner of copyright in remastered recordings would have effective monopoly on further derivative works, thereby undercutting copyrightability of remastered recordings under two-prong test. Ninth Circuit reversed and remanded case for consideration in light of appellate holdings.

D. Miscellaneous

Code Revision Comm'n v. Public.Resource.Org, Inc., 906 F.3d 1229 (11th Cir. 2018)

Eleventh Circuit held that no valid copyright interest can be asserted in any part of Official Code of Georgia Annotated ("OCGA"). Plaintiff was body established by State Assembly that instructed in creation of annotations and supervised creators of annotations. Defendant was non-profit group with goal of improving access to government and legal records. Defendant bought volumes of OCGA and supplements, and scanned and

uploaded them to websites for public access. Plaintiff sent cease-and-desist letters and brought suit. Court considered whether annotations in OCGA could be copyrighted by state of Georgia. Beginning with premise that state code cannot be protected because author is People, court found three criteria pertinent to question presented regarding copyright validity: who created work, how authoritative work was, and process by which work was created. First, court determined that General Assembly drove creation of annotations. Although LexisNexis Group prepared annotations, plaintiff, arm of General Assembly, provided Lexis with detailed instructions for annotations' creation. Plaintiff also supervised Lexis during annotations' creation, and General Assembly approved annotations. Second, court found annotations authoritative. While OCGA stated that annotations have no legal effect, Georgia law also stated OCGA would be merged with annotations, legislature dubbed annotations "official," and courts looked to annotations to discern meaning and intent. Third, court found that process of annotations' creation – presentment and bicameralism – indicated work was unprotectable. Finding three guiding criteria satisfied, court held annotations unprotectable.

Hayden v. Eagles Nest Outfitters, Inc., No. 17-209, 2018 U.S. Dist. LEXIS 136253 (W.D.N.C. Aug. 13, 2018)

District court denied in part defendants' motion to dismiss. Plaintiff was graphic designer who had contract with defendant ENO under which plaintiff provided design services for hourly or flat fee and provided only final version of designs for specific purpose, and any revisions or repurposing of designs required plaintiff's permission. Plaintiff created ENO logo in 2004, and later created "Hammock Guy" logo as part of rebranding. Plaintiff alleged that despite agreement, defendants' in-house graphic designers hacked plaintiff's files with and revised designs without plaintiff's permission, including revising "DH-0001 Hangtag" file, and that defendants licensed Hammock Guy icon and ENO logo to third party. Plaintiff sued for infringement. Defendants argued that because Copyright Office rejected plaintiff's application for ENO logo and DH-0001 Hangtag, court should defer and similarly find plaintiff had no valid copyright in works. Court found, however, that plaintiff sufficiently alleged works were entitled to protection, noting that Fourth Circuit had not held that Copyright Office rejection is entitled to deference. Copyright Office rejection of plaintiff's applications was not determinative at this stage in proceedings.

III. OWNERSHIP

A. Works Made for Hire

Estate of Kauffmann v. Rochester Inst. of Tech., No. 17-6061, 2018 U.S. Dist. LEXIS 131825 (W.D.N.Y. Aug. 6, 2018)

District court granted defendant's motion for summary judgment on plaintiff's copyright infringement claim because plaintiff did not own asserted copyrights. Stanley Kauffmann authored numerous movie reviews for The New Republic. Defendant RIT published 141 of those reviews, and plaintiff Estate of Kauffmann alleged that publication of 44 reviews violated Kauffmann's copyright. In 2004, Kauffmann signed letter agreement with The New Republic stating that Kauffmann's past and future reviews constituted works for hire. Estate attempted to introduce extrinsic evidence that Kauffmann did not understand import of agreement, but court held that New York's parol evidence rule prohibited admission of such evidence given existence of unambiguous, valid contract between Kauffmann and The New Republic. Because Estate did not own copyrights at issue, copyright infringement claim was dismissed.

Horror Inc. v. Miller, 335 F. Supp. 3d 273 (D. Conn. 2018)

District court granted declaratory defendant's motion for summary judgment, holding defendant to be sole owner of screenplay copyright following defendant's effective termination of plaintiffs' copyright rights therein. Defendant screenwriter Victor Miller wrote original *Friday the 13th* screenplay pursuant to short-form Employment Agreement with plaintiff Manny Company, which was party to Writers' Guild of America's collective bargaining agreement. Miller-Manny agreement was silent as to screenplay authorship, but Miller plainly relinquished control over screenplay exploitation to Manny and its successorin-interest, plaintiff Horror Inc. Miller timely served termination notices on Horror and others. Horror and Manny brought lawsuit seeking declaration that Miller wrote screenplay as work for hire, making Manny initial owner of screenplay copyright and rendering Miller's termination ineffective; Miller counterclaimed for declaration of validity of termination. Screenplay was not specially ordered or commissioned as work for hire pursuant to written agreement signed by parties. Plaintiffs argued, however, that under labor law Miller was Manny's employee and created screenplay within scope of employment, because Miller was WGA member hired by Manny, signatory to WGA collective bargaining agreement. Court held that *Community for Creative Non-Violence v. Reid* required application of agency, not labor, law in determining employee status. Applying factors of *CCNV* test, court held that Miller was not Manny's employee. Manny did not (1) have control over Miller's daily activities or details of screenplay, (2) have

ability to assign additional projects to Miller, (3) make any copyrightable contributions to screenplay, (4) provide Miller with traditional employee benefits (e.g., insurance), or (5) treat Miller as employee for tax purposes, all of which undercut employee status. Further, Miller's status as skilled professional artist, coupled with short duration of employment (two months), indicated he was independent contractor rather than employee. Because Miller was independent contractor and agreement did not expressly provide for commissioned work-for-hire status, court held that Miller was sole author of screenplay, in whom copyright ownership vested initially.

Schlueter v. Magistrate Judge Vascura Bethesda Healing Ministry, Inc., No. 17-1055, 2018 U.S. Dist. LEXIS 205866 (S.D. Ohio Dec. 6, 2018)

Court denied plaintiff's motion for preliminary injunction enjoining defendant's use of manual titled *An Experience of Hope: A Guidebook to Healing*. Plaintiff alleged that manual was created by her, outside scope of employment, and given to defendant to use under implied license. Defendant argued that manual was authored while plaintiff was employed as defendant's Executive Director, and accordingly was work made for hire. Traditionally, court noted, individual retained by board of trustees to serve as executive director of nonprofit organization is employee, much as chief executive officer of corporation generally is employee. Plaintiff had not submitted any evidence that would take facts of case outside general rule that executive director is employee; nor had plaintiff submitted evidence that she prepared manual outside scope of her employment. Court denied motion on ground that plaintiff had not shown that she was copyright owner of manual.

Markham Concepts, Inc. v. Hasbro, Inc., 355 F. Supp. 3d 119 (D.R.I. 2019)

Plaintiffs, heirs of toy developer Bill Markham, sued seeking declaration that heirs controlled intellectual property in *Game of Life*, and had termination rights under § 304. District court ruled against heirs, finding that *Game of Life* was work made for hire owned by toy developer Reuben Klamer, who had hired Markham's firm to prepare game. Markham's employees built majority of prototype, and testified that Markham was often working on unrelated business matters during creation of game. Klamer formed corporation ("Link") with celebrity Art Linkletter to promote *Game of Life* and license to Milton Bradley. Assignment agreement from Klamer to Link assigned all right, title, and interest in game; provided Markham non-refundable royalty advance; and stated Markham had invented, designed and developed *Game of Life*. In 1960 Milton Bradley

applied to register copyrights in game board and rules, identifying itself as author. District court looked to definition of work made for hire under 1909 Act, adopting instance-and-expense test. Instance test is shaped in part by degree to which hiring party had right to control or supervise artist's work.

Court found *Game of Life* was prepared at instance of Klamer, who was often present at Markham's firm and was considered by Markham's employees to be final arbiter of prototype's look and feel. In addition, assignment agreement stated any final decision regarding changes would rest with Link or Milton Bradley. Court then found that prototype was created at Klamer's expense; Klamer had agreed to pay all costs incurred by Markham during prototype creation, as well as portion of royalties Klamer would receive. Although assignment agreement had named Markham as inventor, designer, and developer, such language did not change reality: prototype was work made for hire and Klamer owned copyright.

Remark Home Designs, LLC v. Oak St. Condo Projects, LLC, No. 16-14305, 2019 U.S. Dist. LEXIS 14589 (E.D. Mich. Jan. 30, 2019)

Plaintiff, home design company, filed copyright infringement action against defendant, architectural firm, on grounds that defendant infringed plaintiff's copyrighted architectural plans. Defendant moved for summary judgment that plaintiff was not owner of copyrighted plans, alleging that plans were work for hire, given that architect created them in his capacity as employee of LLC, and so "had no enforceable right to assign" to plaintiff. Court disagreed, holding that plans could not be work for hire because architect was sole member of plaintiff LLC and was neither employed nor independently contracted by LLC. Based on this, court found that plaintiff owned rights to plans and could assign them to plaintiff.

Second, defendant alleged that, under state law, another individual was author of plans because such individual had affixed his seal to plans. Court disagreed, finding that state's occupational code, which regulated architectural profession, did not define who was author under federal copyright law. Court, accordingly, denied defendant's motion.

Oliver v. Johanson, No. 17-5129, 2018 U.S. Dist. LEXIS 198484 (W.D. Ark. Nov. 21, 2018)

Defendants Bruce and Blair Johanson utilized methodology – Job Evaluation and Salary Administration Program (JESAP), developed by their father – for companies to set up compensation structure for employees.

Brothers later elected to computerize methodology for efficiency. Plaintiff computer programmer agreed to aid brothers in creating software, and three went into business as DB Squared to commercialize effort. In 2006, additional developer, Devine, was hired to help with software development. In 2008, plaintiff filed application to register software with Copyright Office in capacity as DB Squared officer. Because he stated that he alone was author, Office noted inconsistency with application on behalf of Company, and plaintiff responded that software was work for hire for DB Squared. After registration of JESAP 2008, new versions of software were created and software renamed DBCompensation. In 2016, plaintiff resigned from DB Squared, and later asserted sole ownership of DBCompensation software. In 2017, plaintiff submitted application to Copyright Office for DBCompensation software, claiming he was author and that work was not made for hire. Application matured into registration that year. Court conducted bench trial of parties' warring claims of authorship and infringement. On authorship question, court analyzed JESAP 2008 separately from DB Compensation 10. As to JESAP 2008, court first found that plaintiff was independent contractor between 2001 and 2005 because he worked for his wholly-owned company; received 1099s; never received employment benefits; was not subject to much supervision and often worked from home; worked for number of clients; and was asked to use his programming expertise. Those unregistered software works were not joint works because, at times works were created, defendant brothers did not intend for JESAP methodology to be incorporated into software. Works were also not works for hire because DB Squared was not created until 2006, and there was no written agreement. Accordingly, plaintiff owned early unregistered works. Although JESAP 2008 registration carried with it presumption of validity of facts in certificate, such as authorship, court found plaintiff rebutted presumption. Court found difference between 2005 and 2008 JESAP versions did not yield difference in ownership analysis. Creation of LLC did not alter analysis because court still found plaintiff to function as independent contractor. While some agency factors weighed in favor of finding employer-employee relationship – such as fact that plaintiff took on roles within organization; LLC was created for purpose of advancing and commercializing software; plaintiff inserted copyright notices listing LLC in code; code was stored on LLC's servers, created on LLC's equipment, and LLC maintained and licensed code; and plaintiff had long relationship with LLC – court found most factors weighed in favor of finding plaintiff to be independent contractor. There were also no written agreements concerning work for hire, and defendants did not show that Devine was co-author of JESAP 2008 or that it was joint work. Accordingly, DB Square's claim for infringement of JESAP 2008 was dismissed with prejudice and court declared plaintiff owner of copy-

right in JESAP 2008. As to DBCompensation 10, court first found that it was derivative of earlier JESAP works. Court next found that plaintiff and Devine were joint authors of DBCompensation 10, as logs, code watermarks, and contributions evidenced "inseparable and interdependent whole . . . [that] qualif[ied] for joint authorship." Fact that Devine did not view himself as owner was inconsequential, and court did not find persuasive contract sent by plaintiff to Devine seeking assignment, as Devine did not remember seeing or signing agreement. Court's determination that Devine and plaintiff were joint authors of DBCompensation 10 was not affected by plaintiff's registration, because (1) court doubted presumption of validity applied because, *inter alia*, application was not limited to DBCompensation 10, and was for DB Compensation which existed in 2009, and (2) even if presumption applied, court would find presumption rebutted by preponderance of evidence. Court found that misrepresentations and omissions in applications would normally generate § 411(b) inquiry, but, because court ultimately found that plaintiff was equitably estopped from succeeding in infringement claim, it assumed without deciding that plaintiff's registration was not result of fraud on Copyright Office. Accordingly, court declared plaintiff and Devine to be co-owners of DBCompensation 10.

B. Transfer of Ownership

Glennon v. Rosenblum, 325 F. Supp. 3d 1255 (N.D. Ala. 2018)

Court granted plaintiff's motion for summary judgment. Defendant uploaded plaintiff's professional photo to website *ShesAHomewrecker.com*, along with fabricated story falsely claiming plaintiff, real estate agent, had sexual relations with defendant's spouse while showing him house for sale, graphically recounting details of alleged adulterous encounter, referring to plaintiff as "nasty slut" and "disgusting skank of a woman," and concluding by telling readers "DO NOT USE THIS WOMAN AS A REALTOR." Story went viral; defendant eventually admitted story was false and asked multiple websites to remove story, but websites refused to take down content without court order declaring story false. Plaintiff sued for, *inter alia*, copyright infringement. Plaintiff had previously obtained rights to photo at issue from photographer, and received copyright registration for photo approximately three years after photograph was taken. Court held that by offering evidence that copyright was registered in her name within five years of image's creation plaintiff made *prima facie* showing of ownership. Court further found that plaintiff properly alleged photographer had transferred to plaintiff exclusive ownership rights to image and right to sue for past infringements. Court held plaintiff properly alleged defendant "copied and publicized"

protected image without authorization. Defendant failed to respond to complaint; court, accordingly, issued default judgment in favor of plaintiff.

C. *Termination of Transfers*

Horror Inc. v. Miller, 335 F. Supp. 3d 273 (D. Conn. 2018)

District court granted declaratory defendant's motion for summary judgment, holding defendant to be sole owner of screenplay copyright following defendant's effective termination of plaintiffs' copyright rights therein. Defendant screenwriter Victor Miller wrote original *Friday the 13th* screenplay pursuant to short-form Employment Agreement with plaintiff Manny Company, which was party to Writers' Guild of America collective bargaining agreement. Miller-Manny agreement was silent as to screenplay authorship, but Miller plainly relinquished control over screenplay exploitation to Manny and its successorin-interest, plaintiff Horror Inc. Miller timely served termination notices under § 203 on Horror and others. Although Manny-Miller agreement did not contain express language conveying Miller's copyright in screenplay to Manny, § 203 sweeps broadly, applying termination right to, *inter alia*, any non-exclusive license of copyright. Court held nonexclusive license could be, and in fact was, implied by conduct. Such implied license arises when party creates work and delivers it to another for copying and distribution. Miller wrote screenplay and delivered it to Manny with intent that Manny use screenplay for *Friday the 13th* film. Therefore, Miller's termination notices effectively reclaimed his U.S. rights in screenplay.

D. *Joint Works and Co-Ownership*

Webber v. Dash, No. 19-610, 2019 U.S. Dist. LEXIS 32354 (S.D.N.Y. Feb. 25, 2019)

Plaintiffs brought suit for infringement of copyright in *Dear Frank*, film bankrolled and produced by plaintiffs. Defendant maintained plaintiffs entered into oral agreement under which defendant would direct and produce film in return for royalties and co-ownership. Plaintiffs acknowledged using defendant's filming equipment and filming at defendant's house, but alleged no such agreement existed. Defendant was not listed as author on copyright registration, but represented to potential buyers that he owned film. Court noted that under *Thompson v. Larson*, co-authorship claimant bears burden of establishing that each of putative co-authors (1) made independently copyrightable contributions to work; and (2) fully intended to be co-authors. Second Circuit does not read "independently copyrightable" literally; pertinent inquiry is whether purported co-author created and contributed at least some amount of original expression. In addition, specific finding of mutual intent is required. Where multiple par-

ties contribute expression to work but do not mutually intend to be co-authors, "dominant author" of work is deemed work's sole author. Court found that defendant appeared to have made more than *de minimis* contributions to film, but ruled parties did not intend to create work of joint authorship. Plaintiffs' contributions to film far outweighed those of defendant: plaintiffs financed film in its entirety, entered into work-for-hire agreements with all cast and crew, and entered into all other third-party contracts necessary for film's creation, whereas defendant worked on film for short time and was fired by plaintiffs. Most compelling evidence of intent was text message from defendant to plaintiff that strongly suggested that until conflict arose he never truly entertained in his mind concept of joint authorship. Film, accordingly, was not joint work, and defendant was not film's dominant author; defendant thus did not possess protectable copyright interest.

Horror Inc. v. Miller, 335 F. Supp. 3d 273 (D. Conn. 2018)

On cross-motions for summary judgment in declaratory action, district court granted defendant's motion, holding defendant to be sole owner of screenplay copyright following defendant's effective termination of plaintiffs' copyright rights therein. Defendant screenwriter Victor Miller wrote original *Friday the 13th* screenplay pursuant to short-form Employment Agreement with plaintiff Manny Company, which was party to Writers' Guild of America collective bargaining agreement. Miller-Manny agreement was silent as to screenplay authorship, but Miller plainly relinquished control over screenplay exploitation to Manny and its latest successor-in-interest, plaintiff Horror Inc. Miller timely served termination notices on Horror and others. Horror and Manny argued that nonparties Sean Cunningham, Manny's principal, and Phil Scuderi, principal of Manny's successor-ininterest, made contributions to screenplay such that they were joint authors with Miller. In Second Circuit, joint authorship requires each alleged co-author to have made independently copyrightable contribution, and to have intended to be co-authors. Plaintiffs did not identify specific portions of screenplay attributable to Cunningham or Scuderi, but indicated that Cunningham suggested that killings should be personal (not by guns), that killer should remain masked, and that major character should be killed early on. Court held that such contributions were unprotectable ideas or *scènes à faire*, as opposed to independently copyrightable matter; moreover, there was no evidence that parties intended to be co-authors. Court also held Cunningham and Scuderi's ownership claims barred by statute of limitations because they should have been raised within three years from date of accrual, when Miller was first identified as sole author of screenplay in 1979. Thus, even if Cunningham

and Scuderi could allege facts sufficient to establish co-authorship, their claim would be timebarred.

Really Big Coloring Books, Inc. v. Delta Dental Ins. Co., No. 18-622, 2018 U.S. Dist. LEXIS 144225 (E.D. Mo. Aug. 24, 2018)

District court denied defendants' motion to dismiss for failure to state claim. Plaintiff coloring book publisher entered into agreement with defendants to create, manufacture and deliver dental-related coloring book. Plaintiff created new version of "Ratoncito Perez" character for use in coloring books, and also created games and activities for inclusion in work. Defendants contributed text, which plaintiff edited. Each draft plaintiff sent to defendants contained watermark and plaintiff's information and copyright notice.

Defendants' ordering of coloring books slowed down, then ceased, and thereafter defendants allegedly "copied and used" works and did not remove plaintiff's copyright notice on its unauthorized copies. Defendants moved to dismiss on ground that coloring books were joint works, and parties were co-authors. Court noted that Eighth Circuit had not formulated test for joint authorship. However, under either test from District of Minnesota or more stringent test employed by Second and Seventh Circuits, court found issues of fact regarding joint authorship based on allegations in complaint. Court denied motion to dismiss without prejudice to defendant asserting issues on motion for summary judgment.

E. Contracts and Licenses

Spinelli v. NFL, 903 F.3d 185 (2d Cir. 2018)

Second Circuit vacated dismissal of certain of plaintiffs' infringement claims. Plaintiff sports photographers sued NFL, Associated Press and Replay Photos, LLC, which sold NFL photos online, for infringement based on allegation that NFL and Replay, with AP's permission, exploited plaintiffs' works without license or payment. In 2009, NFL reached agreement with AP whereby AP because exclusive agent for and distributor of commercial licenses for photos that contained NFL intellectual property; agreement did not contain complimentary license for "AP-Contributor Photos," which AP had right to license, but in which photographer not employed by AP owned copyright. Plaintiffs entered "contributor agreements" with AP to be allowed access to NFL events and receive license for IP contained within photos. In agreements with AP, photographers retained right, title, and interest in works accepted by AP, but granted license to AP in exchange for receiving royalties based on certain uses of plaintiffs' works. Before entering contributor agreement, AP told plaintiffs that AP's agreement with NFL did not provide NFL with complimen-

tary license for contributor photos. Based on representations, and upon pressure by AP that they would lose access to 2009 NFL events if they did not sign, plaintiffs signed agreements. In 2012, aware that NFL was making use of photos without payment, plaintiffs contacted NFL, which responded that its 2009 contract with AP included license to allow NFL to make complimentary use of AP-licensed NFL photos. When plaintiffs contacted AP, AP denied making such license, and stated that its renewal of agreement with NFL was held up because AP did not have authority to issue complimentary license. AP then asked plaintiffs to agree to contract amendments that would allow AP to grant NFL limited complimentary uses of plaintiffs' works. Plaintiffs did not know that AP had already renewed its agreement with NFL in 2012, and new agreement expanded complimentary license to NFL to include photos owned by photographers who did not contribute to AP. Eventually AP disclosed to plaintiffs that complimentary licenses were included in 2012 agreement in NFL and were mandatory element, and AP told plaintiffs they could accept amendments to contributor agreements or opt out and not capture NFL events. Plaintiffs did not agree to AP's demanded agreement, and NFL continued to use plaintiffs' works without payment. Replay, with AP, sells copies of NFL photos online. After plaintiffs went to AP in 2012 about NFL infringement, AP asked plaintiffs to agree to reduced royalty rate for Replay licenses. Plaintiffs rejected amendment, but Replay sold plaintiffs' works and neither Replay nor AP paid plaintiffs for use. District court dismissed claims for failure to state claim. On appeal, plaintiffs argued that defendants were liable because (1) AP could not grant NFL retroactive license from 2009-2012; and (2) AP did not have authority under contributor agreements to grant complimentary license for period of 2012-2015. On retroactive license issue, court relied on *Davis v. Blige* to hold that retroactive license would have impermissibly extinguished right plaintiffs had before 2012 AP-NFL agreement was executed to sue NFL for copyright infringement; if retroactive license AP granted in 2012 were effective, AP would have extinguished that right. "Doing so was impermissible, irrespective of whether AP had the authority to issue a prospective license to the NFL starting in 2009." Court therefore vacated dismissal of infringement claims concerning NFL's allegedly infringing uses from 20092012.

Joseph v. Buffalo News, Inc., No. 17-814, 2018 U.S. Dist. LEXIS 145320 (W.D.N.Y. 2018)

Plaintiff, *pro se* attorney, authored article entitled "Manufacturing Tax of Zero" and sent it to editors of defendant newspaper by email with subject line "Oped: Manufacturing Tax of Zero." Plaintiff's article ran in newspaper, and plaintiff sent invoice to defendant's clerk and demanded payment by email; when defendant refused, plaintiff brought suit. Court found de-

fendant had privilege to publish plaintiff's article under *Tasini* and § 201(c) because there was no agreement between parties that would restrict defendant's ability to publish, there was no agreement regarding plaintiff's copyright or his rights in work, and plaintiff did not demand payment before publication. "As a result, BN was left to conclude only that it had the privilege to publish the article as explained in *Tasini*." Court granted motion to dismiss and denied motion for leave to amend because amendment would be futile.

Kay Bros. Enters. v. Parente, No. 16-387, 2018 U.S. Dist. LEXIS 128191 (N.D. Ill. July 31, 2018)

Court denied plaintiff's and defendants' cross motions for summary judgment as to liability for infringement. Plaintiff created architectural plans to be used in construction of custom home for defendants, who modified plans and hired another company to build home. Plaintiff sued defendants and moved for summary judgment on infringement claim. Defendants opposed motion, arguing that plaintiff granted them implied non-exclusive license to use plans, and therefore they did not infringe plaintiff's copyright. Court found that (1) defendants requested creation of plans, and (2) plaintiff created requested plans and delivered plans to defendants, both of which favored creation of implied license. However, court found plaintiff's intent regarding plans was unclear, and that plaintiff engaged in behavior both consistent and inconsistent with intention to grant implied license. Accordingly, court found genuine issue of fact as to existence of implied license and denied both motions.

Photographic Illustrators Corp. v. Orgill, Inc., No. 14-11818, 2019 U.S. Dist. LEXIS 58016 (D. Mass. Apr. 4, 2019)

District court granted defendant's summary judgment motion, holding that defendant did not exceed scope of its sublicense to use plaintiff's images, and thus did not commit copyright infringement. Plaintiff commercial photography company licensed photographs to Osram Sylvania Inc. ("OSI"), manufacturer and seller of lighting products. Defendant distributed OSI's products, and used and sublicensed certain of plaintiff's photographs in marketing.

Plaintiff's license with OSI granted OSI license to use and sublicense plaintiff's photos in OSI's sole and absolute discretion, except that OSI was required to properly attribute photographs to plaintiff or plaintiff's principal ("attribution requirement"). After plaintiff sued defendant for infringing plaintiff's copyrights in 34 photographs licensed to OSI by using and further sublicensing them, defendant and OSI executed retroactive confirmatory sublicense that confirmed that OSI previously granted defendant permission to use and sublicense plaintiff's photos. OSI and several

other OSI distributors entered into arbitration in which arbitrator held that plaintiff's agreement with OSI gave OSI right to sublicense plaintiff's images to OSI's distributors, and further that attribution requirement was only covenant rather than condition, meaning that violation of same would constitute breach of contract but would not render contract ineffective such that OSI could be liable for copyright infringement. Court held that, although plaintiff was precluded, under collateral estoppel doctrine, from contesting arbitrator's holdings that OSI had authority to grant sublicenses to OSI's distributors and that attribution requirement was merely covenant, plaintiff could challenge whether defendant received implied sublicense from OSI as well as litigate scope of such sublicense. Plaintiff argued that defendant could have received implied sublicense to use plaintiff's photos only directly from plaintiff as copyright owner, and not from plaintiff's licensee OSI. Although First Circuit courts often use three-part test to determine existence of implied license for copyrighted work (i.e., that licensee request creation of work, that licensor create and deliver work, and that licensor intend that licensee distribute work), court held that test is not mandatory, and that touchstone for implied license is simply parties' intent as evidenced by totality of parties' conduct. Court held that because plaintiff intended to permit OSI to grant sublicenses and because plaintiff failed to show that OSI did not intend to grant sublicense to defendant, defendant had sublicense to use plaintiff's photos. As to scope of defendant's sublicense, court noted that defendant could have narrower rights than OSI. Although, as arbitrator held, attribution requirement was only condition, rather than covenant, in agreement between plaintiff and OSI, defendant's sublicense could theoretically require attribution. However, defendant's confirmatory sublicense with OSI clearly stated that attribution requirement was without effect on defendant's rights to use and sublicense plaintiff's photos, meaning that attribution likewise was mere covenant in defendant's license. Thus, defendant's failure to attribute plaintiff's photos could not give rise to liability for copyright infringement.

Geophysical Servs. v. TGS-NOPEC Geophysical Servs., No. 14-1368, 2018 U.S. Dist. LEXIS 101781 (S.D. Tex. June 19, 2018)

District court granted defendant's motion for summary judgment, holding that defendant's obtaining of plaintiff's seismic data from Canadian administrative agency did not infringe plaintiff's copyright because plaintiff granted license to agency. Plaintiff Canadian company collected seismic data by recording information obtained by bouncing sound waves off ocean floor. Pursuant to Canada Oil and Gas Lands Administration's Guidelines for Approvals and Reports, plaintiff submitted copies of its seismic data to Administration. Administration's Guidelines referenced publication called "Offshore Exploration," which provided that such seis-

mic data would, after period of confidentiality, be copied and released to public. Court held that, by submitting seismic data to Administration with constructive knowledge of "Offshore Exploration," plaintiff granted Administration express license to copy, distribute, and export plaintiff's seismic data, so that defendant's use of data was not infringing. Alternately, plaintiff granted implied license to Administration because plaintiff should have known that by participating in seismic data submission regime, it was impliedly granting license to copy and distribute its seismic data. Court held that defendant did not infringe plaintiff's copyright when defendant obtained plaintiff's seismic data from Administration's successor agency.

Oliver v. Johanson, No. 17-5129, 2018 U.S. Dist. LEXIS 198484 (W.D. Ark. Nov. 21, 2018)

Defendants Bruce and Blair Johanson utilized methodology – Job Evaluation and Salary Administration Program (JESAP), developed by their father – for companies to set up compensation structure for employees. Brothers later elected to computerize methodology for efficiency. Plaintiff computer programmer agreed to aid brothers in creating software, and three went into business as DB Squared to commercialize effort. In 2006, additional developer, Devine, was hired to help with software development. In 2008, plaintiff filed application to register software with Copyright Office in capacity as DB Squared officer. Because he stated that he alone was author, Office noted inconsistency with application on behalf of Company, and plaintiff later responded that software was work for hire for DB Squared. After registration of JESAP 2008, new versions of software were created and software renamed DBCompensation. In 2016, plaintiff resigned from DB Squared, and later asserted sole ownership of DBCompensation software. In 2017, plaintiff submitted application to Copyright Office for DBCompensation software, claiming he was author and that work was not made for hire. Application matured into registration that year. Relevant claims determined by bench trial were parties' warring claims of authorship of works and infringement. Although court determined that plaintiff owned JESAP 2008 and co-owned DBCompensation 10 software programs, it held defendants were entitled to irrevocable, implied, nonexclusive license to allow them to continue to use works. Court found evidence showed entitlement to implied license: plaintiff was contracted to create and commercialize software and actually did so; plaintiff inserted copyright notices in favor of LLC and programmed works to have customers contact company with software problems; and plaintiff's resignation note indicated that company could finish unveiling DBCompensation 10. Additionally, because plaintiff's company was paid for plaintiff's work, licensed was irrevocable.

IV. FORMALITIES

A. Registration

Fourth Estate Public Benefit Corp v. Wall-Street.com, LLC, 139 S. Ct. 881 (2019)

Supreme Court adopted "registration approach," holding that, under § 411(a), "registration occurs, and a copyright claimant may commence an infringement suit, when the Copyright Office registers a copyright." Court found that registration approach – as opposed to "application approach," under which "registration" occurs upon submission of application to Copyright Office – reflects only satisfactory interpretation of statutory text, which prohibits copyright owner from bringing suit for infringement until "registration . . . has been made."

Universal Dyeing & Printing, Inc. v. Topson Downs of Cal., Inc., No. 17-3879, 2019 U.S. Dist. LEXIS 16669 (C.D. Cal. Feb. 1, 2019)

Following bench trial, district court granted judgment for defendant because plaintiff failed to establish ownership of valid copyright registration. Plaintiff fabric printer sued defendant apparel designer and seller, alleging that defendant infringed one textile design of plaintiff, which was included within "single work" registration for group of 15 published textile designs. Registration listed plaintiff as author and July 15, 2011 as publication date for all 15 designs. Although plaintiff's ownership of registration created presumption of ownership of valid copyright, defendant successfully rebutted presumption by establishing at trial that plaintiff was not author of 13 of 15 designs, and further that many designs were made available for sale to public prior to July 15, 2011. Burden therefore shifted to plaintiff to show ownership of valid copyright registration. Because textile designs do not qualify for group registration, plaintiff's registration was "single work" registration; all 15 textile designs within registration must be first sold, distributed or offered for sale concurrently to satisfy single unit of publication requirement. Single unit of publication rule required invalidation of entire registration because not all textile designs were published simultaneously. Because plaintiff failed to prove ownership of valid registration, court entered judgment for defendant.

Ronaldo Designer Jewelry, Inc. v. Cox, No. 17-2, 2019 U.S. Dist. LEXIS 69187 (N.D. Miss. Apr. 24, 2019)

District court directed plaintiff to file supplemental response to defendants' motion seeking court ordered review by Register of Copyrights of plaintiff's copyright registrations. Plaintiff brought action for copyright infringement "premised on copyright registrations for three wire bracelets."

Defendants alleged that plaintiff's copyright applications were materially inaccurate and incomplete, and moved court to request Register to determine whether plaintiff's registrations would have been refused in light of inaccurate or missing information. Under § 411(b) registration certificate satisfies requirements of §§ 411 and 412 "regardless of whether the certificate contains any inaccurate information, unless (A) the inaccurate information was included on the application for copyright registration with knowledge that it was inaccurate; and (B) the inaccuracy of the information, if known, would have caused the Register of Copyrights to refuse registration." In any case in which inaccurate information "is alleged, the court shall request the Register of Copyrights to advise the court whether the inaccurate information, if known, would have caused the Register of Copyrights to refuse registration." Court declined to follow Seventh Circuit's *Schaltenbrand* approach, requiring defendant to demonstrate inaccurate information and knowledge before referring to Register, finding plain language of statute required referral to Register whenever inaccurate information in copyright application is "alleged." Defendants' motion alleged plaintiff's copyright applications contained inaccurate information because they did not disclose that plaintiff's designs contained common, unoriginal elements, and applications falsely listed plaintiff as owner. However, court did not address defendants' contentions "at this time," and directed plaintiff to file supplemental response to motion.

V. INFRINGEMENT

A. Access

Halper v. Sony/ATV Music Publ'g, LLC, No. 18-5915, 2019 U.S. App. LEXIS 4720 (6th Cir. Feb. 15, 2019)

Plaintiff, creator of song "Don't Throw Our Love Away," alleged defendants infringed his copyright by inclusion of phrases "stay with me" and "lay with me" in Sam Smith song "Stay with Me." Plaintiff alleged that he "widely disseminated" his unpublished demo in 1986, 1990, and 2013 and named 19 non-parties to whom he allegedly sent demo, but he did not allege that any of defendants were given demo, and allegations did not amount to inference that defendants heard or had reasonable opportunity to hear work. Therefore, district court properly found plaintiff did not properly plead access. Because complaint did not sufficiently allege access, plaintiff needed to plead striking similarity. Court, however, found that "the phrases 'stay with me' and 'lay with me' are the types of 'words and short phrases' that are common in love songs and that are not entitled to copyright protection." Accordingly, district court correctly found that plaintiff failed to plead striking similarity, and Sixth Circuit affirmed dismissal.

Feuer-Goldstein, Inc. v. Michael Hill Franchise Pty. Ltd., No. 16-9987, 2019 U.S. Dist. LEXIS 51980 (S.D.N.Y. Mar. 27, 2019)

Court granted defendants' motion for summary judgment. Plaintiff jewelry manufacturer brought action against defendant, competing jewelry manufacturer, for infringement of plaintiff's jewelry designs comprised of heart frame and vertical infinity symbol. In absence of direct evidence of copying, plaintiff had to demonstrate that defendants had reasonable possibility of access to plaintiff's jewelry design. Court found that plaintiff failed to provide probative evidence such that reasonable jury would infer access through either (1) "wide dissemination," (2) "chain of event" theory, or (3) copying based on "striking similarity." As to "wide dissemination" theory, court held that evidence demonstrating that plaintiff's jewelry design appeared on Internet, was featured in several tradeshows, and was advertised in multiple magazines were "isolated appearances" that did not amount to "considerable commercial success" that warrants inference of access. Court also held that none of plaintiff's proposed chains of events created more than "bare possibility" of access. Given (1) unclear presence of plaintiff's design on certain websites, paired with defendant's use of common search engine while developing its own design; (2) limited distribution of magazines with advertisements for plaintiff's design, in conjunction with plaintiff's failure to show that any defendant or any affiliated entity ever received such issues; and (3) highly attenuated corporate relationship between defendants and individual who attended tradeshows where plaintiff's design was featured, no reasonable jury could infer that any creators of defendants' design had access to plaintiffs' design. As to "striking similarity," court found that works at issue were not "so identical" as to "preclude any reasonable possibility of independent creation," given that jewelry designs were comprised of two elements that were common in jewelry market, and "there are only so many ways that a designer can combine two discrete elements."

Gray v. Perry, No. 15-5642, 2018 U.S. Dist. LEXIS 138263 (C.D. Cal. Aug. 13, 2018)

District court denied defendants' motion for summary judgment. Plaintiffs brought suit alleging that defendants' song "Dark Horse" infringed plaintiffs' copyright in earlier-released song "Joyful Noise." In absence of direct evidence of copying, plaintiff had to demonstrate (1) that defendants had access to "Joyful Noise," and (2) substantial similarity between works-at-issue. To prove that defendants had "reasonable possibility" of hearing plaintiffs' song, plaintiffs presented circumstantial evidence that work was "widely disseminated." Plaintiffs showed that "Joyful Noise" had millions of views and plays on YouTube and Myspace, and had gained success and popularity in Christian hip-hop/rap industry. Court agreed

with plaintiffs, finding that "reasonable jury could conclude that there is more than a 'bare possibility' that defendants – who are experienced professional songwriters – had the opportunity to hear 'Joyful Noise.'" Court dismissed defendants' arguments that (1) Christian hip-hop/rap industry was "so niche" that success of "Joyful Noise" in such market had "no bearing" on whether defendants could have accessed song; and (2) song did not achieve widespread dissemination because of its lack of commercial success. Court found that while plaintiffs did not provide evidence of commercial exploitation, such showing is not necessary to prove access because plaintiffs had demonstrated that "Joyful Noise" achieved critical success and received millions of views via online platforms.

Hall v. Daniels, No. 18-1349, 2018 U.S. Dist. LEXIS 134012 (N.D. Ill. Aug. 9, 2018)

District court granted defendant's motion to dismiss plaintiff's copyright infringement claim for failure to plead that defendant had access to plaintiff's work. Plaintiff alleged that she wrote and registered book entitled *Girl, You Ain't Gonna Make It, So They Said* and audiobook version of same entitled *I'm Breaking Through*. At February 2013 "pitch fest," plaintiff allegedly pitched her book to 10 producers, and connected with defendant selfpublishing resource provider Author Solutions (ASL), which sent her novel to four Hollywood producers. Plaintiff also submitted electronic copy of her novel to defendant producer Lee Daniels by emailing to Daniels' website link to plaintiff's own website, where copy of plaintiff's book was posted. Subsequently, plaintiff claimed, Daniels and defendant Twentieth Century Fox (TCF) turned her book into television series *Empire* without her authorization. Plaintiff's assertion that she or ASL provided copies of her book to unspecified Hollywood producers failed to support reasonable inference that TCF had access to plaintiff's book. Further, plaintiff's alleged electronic transmission of her book to Daniels did not establish access on TCF's part. Court dismissed plaintiff's claim against TCF on ground that plaintiff failed to establish access.

Halper v. Sony/ATV Music Publ'g, LLC, No. 16-567, 2018 U.S. Dist. LEXIS 140201 (M.D. Tenn. Aug. 17, 2018)

District court granted defendants' motion to dismiss, adopting in part magistrate's report and recommendation recommending dismissal of plaintiff's claim that Sam Smith song "Stay With Me" infringed plaintiff's song "Don't Throw Our Love Away." Plaintiff's work, written in 1984 and recorded in 1986 and 2013, was not published, but plaintiff alleged he sent demos to artists and producers. Plaintiff's objections to report and recommendation centered around ownership and substantial similarity. On ownership point, court rejected magistrate's conclusion that plaintiff did

not own copyright in "Don't Throw Our Love Away' until he registered it, and that defendants did not infringe because plaintiff did not register copyright until after release of "Stay with Me." Court found that plaintiff failed to plead access; he did not allege direct access by defendants, and did not plead connection between those to whom he sent demos and defendants. Nor could claim succeed through showing of striking similarity. Similarity highlighted by plaintiff was parties' use of phrases "stay with me" and "lay with me." Court found, however, that phrases fell into "common phrase" category, "not the idiosyncratic, 'E.T. phone home' category," and were not protectable. Plaintiff, accordingly, had not alleged substantial, let alone striking, similarity between protectable elements of songs.

Batiste v. Lewis, No. 17-4435, 2019 U.S. Dist. LEXIS 69130 (E.D. La. Apr. 23, 2019)

District court granted defendants' motion for summary judgment in connection with plaintiff's allegation that defendant hip-hop duo Macklemore and Ryan Lewis ("MRL"), infringed plaintiff's sound recordings and musical compositions by using unauthorized samples and by copying elements of 11 of plaintiff's original works in composition of songs "Thrift Shop," "Can't Hold Us," "Need to Know," "Same Love," and "Neon Cathedral." To establish access, plaintiff must alleged prove infringer had reasonable opportunity to view copyrighted work before infringement occurred; if proof of access is unavailable, plaintiff may prove factual copying by showing works such striking similarity between works that similarity could only be explained by actual copying. Plaintiff argued that his music was played in New Orleans and distributed online and in music stores, which MRL had opportunity to view during visit to New Orleans in 2011. Court found that plaintiff presented no evidence of musical awards, royalty revenues, or noteworthy online sales that would implicate factual dispute regarding access. Thus, court found, plaintiff did not produce evidence that was more than mere speculation and conjecture or "significantly probative of a reasonable opportunity for access," and plaintiff accordingly must demonstrate that respective works were strikingly similar. Court, accordingly, conducted song by song comparison and held plaintiff failed to demonstrate striking similarity or any instances of sampling with respect to any of song pairings identified in complaint.

B. Copying and Substantial Similarity

Green v. Harbach, 750 F. App'x 57 (2d Cir. 2019)

Second circuit affirmed district court's dismissal of plaintiff's claim that defendant's book, *The Art of Fielding*, misappropriated protectable ele-

ments of plaintiff's work *Bucky's 9th*. In considering "total concept and feel," court evaluated work's theme, characters, plot, sequence, place, and setting. Court held that alleged similarities between works were unprotectible abstract ideas or *scènes à faire* that did not merit copyright protection, and that "total concept and feel" of works differed substantially.

Perry v. Mary Ann Liebert, Inc. (MALI), No. 18-2019, 2019 U.S. App. LEXIS 6688 (2d Cir. Mar. 6, 2019)

Second Circuit affirmed dismissal of infringement claim. *Pro se* plaintiff alleged that defendant published article authored by Dr. George Pierce that infringed copyright in her Dissertation Defense Manuscript. Specifically, plaintiff alleged that diagram in article was substantially similar to number of diagrams in her manuscript. Court agreed with district court that diagram in article was not substantially similar to those in plaintiff's manuscript because they differed in ways including color, arrangement, shape, and labeling. Plaintiff's argument that article was "compilation work" did not change court's analysis; given that Pierce diagram's actual expression, i.e., its arrangement, colors, and shapes, was not substantially similar to plaintiff's figures, plaintiff failed to state infringement claim on this basis. Court also found district court did not err in denying motion for leave to amend based on futility, as plaintiff had previously amended her complaint twice and there was no indication that she had non-futile claim; moreover, plaintiff did not offer amended pleading that would cure deficiencies in extant complaint. Court thus affirmed judgment of district court.

Nobile v. Watts, 747 F. App'x 879 (2d Cir. 2018)

Second Circuit affirmed district court's dismissal of plaintiff's copyright infringement claim for failure to state claim because plaintiff failed to allege substantial similarity between his and defendants' works. Plaintiff wrote Screenplay in which childless couple decided to keep motherless baby found in boat washed up on island. Defendants wrote and published Novel, later adapted to Film, with same premise. Plaintiff alleged that Novel and Film infringed copyright in Screenplay. District court held, and plaintiff conceded, that Screenplay's basic premise was unprotectable idea. Additional plot elements shared by Screenplay and Novel – e.g., that couple found baby immediately after stillbirth, allowing them to pass off baby as own – also held to be unprotectable ideas. Remaining similarities, including wife's emotional and physical reactions to stillbirth, flowed naturally from unprotectable premise, and thus were unprotectable *scènes à faire*. Two instances of literal similarity (dialogue snippets "I hate this place" and "just you and [I/me]") were *de minimis* and did not give rise to

substantial similarity finding. Second Circuit thus affirmed dismissal of infringement claim.

Williams v. Gaye, 895 F.3d 1106 (9th Cir. 2018)

Ninth Circuit upheld jury verdict, holding that district court gave correct jury instructions regarding copying element of copyright infringement claim. Heirs of Marvin Gaye sued Robin Thicke, Pharrell Williams and two others, alleging that song "Blurred Lines" infringed Gayes' copyright in musical composition "Got to Give It Up," to which Thicke and Williams testified they had access. After jury verdict against them, Thicke parties moved for new trial on ground of erroneous jury instructions. In Jury Instruction 42, district court stated that conscious or deliberate copying was not necessary, and subconscious copying was sufficient, to establish copying. In Jury Instruction 43, district court stated that jury "must" consider elements of each musical composition to decide if works substantially similar. Thicke parties objected to Instruction 42 because access was admitted. Ninth Circuit held that Jury Instruction 42 was proper because it instructed jury to find substantial similarity as well as access. Thicke parties objected to Instruction 43 because it instructed jury to consider compositional elements not present in deposit copy of "Got to Give It Up" composition. Ninth Circuit held that jury instructions, on whole, made clear that jury could consider only elements in musical composition deposit copy, not commercial sound recording, which was not at issue. Because musical compositions were entitled to broad protection, it was sufficient for plaintiff to show that accused work was substantially similar, rather than virtually identical, to plaintiff's work.

Astor-White v. Strong, 733 F. App'x 407 (9th Cir. 2018)

Ninth Circuit affirmed in part and reversed in part dismissal of infringement claim. Plaintiff brought suit alleging defendants' television series *Empire* infringed plaintiff's treatment for television series titled *King Solomon*. Ninth Circuit found that although plaintiff did not plead sufficient facts to state claim for infringement, district court abused its discretion by denying *pro se* plaintiff opportunity to amend complaint. Plaintiff could cure deficiency by alleging facts showing substantial similarity and chain of events linking *King Solomon* treatment to defendants. Ninth Circuit remanded to district court for further consideration. Concurring opinion found district court erred in comparing *King Solomon* treatment to *Empire,* completed work, because treatments naturally change during development process, and thus dismissal before further discovery as to ultimate development of *King Solomon* was erroneous. Concurring opinion disagreed with district court's determination that *King Solomon*'s plot was generic, explaining that district court failed to appreciate television land-

scape at time *King Solomon* was written, when works featuring black lead characters were not commonly found on television. Dissenting opinion would affirm denial of leave to amend, finding that amendment would be futile because *Empire* and *King Solomon* were not substantially similar as matter of law. Dissent found that district court correctly determined plaintiff did not satisfy "extrinsic test," under which court must filter out unprotectable aspects of plot, theme, dialogue, mood, setting, pace, characters, and sequence of events, and determine whether substantial similarity exists between remaining protectable elements. Overarching idea of record label owned by black mogul and his family, which both works shared, is not protectable. Dissent found no "articulable similarities" between protectable elements of two works, noting that *King Solomon's* lead character, Joe, dropped out of college, unlike lead character in *Empire*. Further, Cookie character in *Empire* is released from prison early in show, whereas Jake character in *King Solomon* is released later. Dissent also noted differences between geographic settings of shows, educational attainment of lead characters, and nature of musical artists featured in each show, and concluded that substantial similarity did not exist.

YS Built LLC v. Huang, No. 17-35044, 2018 U.S. App. LEXIS 17636 (9th Cir. June 27, 2018)

Ninth Circuit affirmed dismissal of infringement claim. Parties negotiated potential construction agreement whereby defendants paid plaintiff's architect to prepare plans for home. Parties ultimately could not finalize contract, and defendants hired third party to build home. Plaintiff brought suit alleging infringement. District court held trial and found for defendants. Ninth Circuit found trial court did not clearly err in finding that third party's plans were not intrinsically similar to plaintiff's plans. Unlike third party's "more utilitarian" plans, plaintiff's plans "were elegant and artistic," and intrinsic differences rendered total concept and feel not substantially similar.

Tanksley v. Daniels, 902 F.3d 165 (3d Cir. 2018)

Fifth Circuit affirmed district court's dismissal of complaint. Plaintiff sued defendants, including Lee Daniels, who created Fox Television show *Empire,* claiming *Empire* infringed plaintiff's three-episode television pilot, *Cream. Cream's* primary storyline revolved around African-American record label owner, Winston St. James, who contracts STD from having sex with co-worker. *Empire* centered on fictional entertainment and music mogul Lucious Lyon, who has ALS, and question of who will succeed him as head of music label, Empire Records. Fifth Circuit noted that unauthorized copying comprises two frequently conflated components: actual copying and material appropriation. Because plaintiff failed to plausibly

allege material appropriation, court did not address separate question of whether complaint plausibly alleged actual copying. Court concluded that, superficial similarities notwithstanding, *Cream* and *Empire* were not substantially similar as matter of law. Conclusion flowed unavoidably from comparison of shows' characters, settings and storylines. Court held plaintiff's complaint failed to state claim of infringement. and affirmed dismissal under Rule 12(b)(6).

Carrell v. Origami Owl, LLC, No. 18-694, 2019 U.S. Dist. LEXIS 49522 (S.D.N.Y. Mar. 25, 2019)

District court granted defendant's motion for judgment on pleadings. Plaintiff, "who own[ed] a dog of some purported repute," brought copyright infringement claim against defendant based on defendant's use, in connection with promotional campaign for line of pet accessories, of original rendering of dog, which rendering plaintiff claimed "mimicked" photograph of her dog for which she was exclusive rights holder. Court found no substantial similarity between artist's rendering of dog and photograph of plaintiff's dog as matter of law. To overwhelming (and dispositive) extent, common elements of images at issue fell squarely within *scènes à faire* doctrine, including subject dog's closed mouth and calm expression looking directly at viewer while sitting with head cocked slightly and groomed in way "generically-depicted dog would be groomed." Plaintiff's copyright infringement claim failed, and proposed claim for contributory infringement would necessarily fail as well.

Sanfiorenzo v. Besson, No. 17-5461, 2019 U.S. Dist. LEXIS 35145 (S.D.N.Y. Mar. 4, 2019)

Court granted Defendants' motion to dismiss. Plaintiff, author of "Trilogy Threat" of plays, which included *The Missing Hat*, *The Buzz*, and *Cool Cave*, alleged that defendants' film *Lucy* infringed works. Court noted that movie had fast pace, contained violence, and featured character Lucy was nearly every scene. Plaintiff's works, in contrast, did not prominently feature character Lucy, and were largely slow-paced, and "seriousness [was] leavened with jokes and humorous moments." Court reviewed works and found "total concept and feel" different from one another; common elements, drug overdose and name Lucy, were too generalized to merit protection. Court also noted that "incidental similarities" between works did not overcome differences. Court granted motion to dismiss and denied plaintiff's motion to amend, finding it futile.

Spin Master, Inc. v. Amy & Benton Toys & Gifts Co., No. 17-5845, 2019 U.S. Dist. LEXIS 19362 (S.D.N.Y. Feb. 6, 2019)

Plaintiffs, part of large multinational toy and entertainment company, brought copyright claims related to plaintiffs' "Bunchems" children's toy product packaging against defendants, China-based businesses selling to U.S. through online storefronts. Plaintiffs filed unopposed motion for summary judgment. Court granted motion as to plaintiff's Copyright Act claims, finding that plaintiffs owned valid federal copyrights and "have numerous common law copyrights" for Bunchems product packaging, and that, based on side-by-side comparison, "substantial similarity exists between the defendant's work and the protectable elements of plaintiff's work," such that court "need not have direct evidence of Defendants' copying."

Griffin v. Sheeran, 351 F. Supp. 3d 492 (S.D.N.Y. 2019)

District court denied plaintiffs' motion for summary judgment. Plaintiffs, heirs of Edward B. Townsend, who co-wrote musical composition "Let's Get It On" ("LGO") with Marvin Gaye, sued Ed Sheeran, alleging Sheeran's "Thinking Out Loud" ("TOL") infringed copyright in LGO. Court noted that standard test for substantial similarity is whether ordinary observer would overlook disparities between works and regard aesthetic appeal as same; question is whether "average lay observer would recognize alleged copy as having been appropriated from the copyrighted work." Court found jury could find similarities between LGO and TOL including harmonic progression, harmonic rhythm with anticipated second and fourth chords, melody, bassline, and percussion. Moreover, average lay observer could conclude that portions of TOL were appropriated from LGO. Judgment of noninfringement as matter of law could not be granted due to overlap of protectable elements between TOL and LGO.

May v. Sony Music Entm't, No. 18-2238, 2019 U.S. Dist. LEXIS 24458 (S.D.N.Y. Feb. 13, 2019)

District court denied defendants' motion to dismiss infringement claim stemming from use of phrase "We Run Things, Things No Run We" in Miley Cyrus song "We Can't Stop." In 1981, Michael May, Jamaican songwriter and recording artist, authored "We run things. Things no run we" as lyrical phrase included in his performances. Phrase combined English and Jamaican Patois dialect. Complaint was ambiguous as to whether May merely adapted phrase from Jamaican Patios saying "Wi run tings. Tings nuh run wi," or originated phrase "from whole cloth." In 1988, May incorporated "We run things. Things no run we" into song "We Run Things," allegedly to express "attitude of personal freedom and situational con-

trol." Cyrus co-authored "We Can't Stop," which was released in 2013 and achieved "meteoric success," and was re-released each year thereafter. "We run things, things don't run we" appeared three times in "We Can't Stop." May asserted claim of copyright infringement based on incorporation of phrase into "We Can't Stop." Court noted that "fragmented literal similarity" exists where defendant copies portion of plaintiff's work without appropriating overall essence or structure, and that copying of quantitatively small portion of plaintiff's work may be substantial if it has qualitative importance to plaintiff's work as whole. Court found plaintiff plausibly alleged copying was quantitatively significant because phrase "We run things. Things no run we" appears nine times in May's song, and qualitatively significant because "it encapsulates the overriding theme of the song, which is male domination and control."

Spin Master Ltd. v. Alan Yuan's Store, 325 F. Supp. 3d 413 (S.D.N.Y. 2018)

Court granted plaintiffs' motion for summary judgment. Plaintiffs, part of multinational toy company, sued multiple individuals and/or businesses located in China, alleging that defendants infringed their copyrights by designing, manufacturing, and selling counterfeit copies of "Flutterbye Fairy" line of toys on online marketplace platforms. Court compared "total concept and feel" of works under ordinary observer test and found defendants' products substantially similar to plaintiffs': "in many instances, they are near identical replicas. An ordinary observer would find that defendants copied [plaintiffs'] works."

Green v. Harbach, No. 17-6984, 2018 U.S. Dist. LEXIS 113608 (S.D.N.Y. July 9, 2018)

District court granted defendant's motion to dismiss copyright infringement action because parties' respective literary works were not substantially similar. Plaintiff author alleged that defendant's book *The Art of Fielding* infringed plaintiff's copyright in book *Bucky's 9th* because works shared premise and setting (perennial underdog athletic team at struggling yet proud liberal arts institution defeats rivals led by talented yet troubled prodigy), core plot narratives (baseball prodigy-comes-of-age, recruiter-mentor, illicit romance, and intergenerational plot), and final "beaning" scene where temporarily absent prodigy character returns in ninth inning of baseball game, only to be beaned by opposing team's pitcher. Court found that, when read in context, allegedly infringing features of *The Art of Fielding* were abstract ideas, *scènes à faire*, or insignificant or trivial details. Though works shared setting, substance of each story was entirely different, while supposed plot structures failed to accurately characterize either of works, and instead represented strained attempt to impose struc-

ture otherwise unimportant to overall works. Despite facial similarities between beaning scenes, each functioned differently in each work's respective plot. "In short, when read in context, none of Plaintiff's allegations of substantial similarity hold up."

Logical Operations Inc. v. 30 Bird Media, LLC, 354 F. Supp. 3d 286 (W.D.N.Y. 2018)

District court granted summary judgment for defendants. Plaintiff, developer and publisher of instructional manuals for computer software, brought suit for infringement against competing developer of instructional materials on ground that defendant designed its materials to "mimic" plaintiff's manuals. Defendants moved for summary judgment, arguing works were not substantially similar. Court, applying "more discerning observer test," examined relevant elements of manuals, determining that (1) internal formatting, words and phrases, generalized topic structure, and instructor cues were unprotectible elements, and (2) creative arrangement of graphic elements and topics, unique juxtaposition of exercises with tables in two-column format, and specific expression of instructor cues and exam objectives were protectible. Court concluded that reasonable observer would not find plaintiff's and defendants' manuals substantially similar. Court found plaintiff's principal assertion – that defendant copied certain design and layout features of its manual, rather than any particular substantive content – problematic. Given that similarities between manuals related to "unprotectible ideas or minor elements like layout and arrangement," and that plaintiff failed to identify any significant similarities between manuals in terms of expressive content, court concluded that reasonable trier of fact could not find in plaintiff's favor.

Laspata DeCaro Studio Corp. v. Rimowa GmbH, No. 16-934, 2018 U.S. Dist. LEXIS 103347 (S.D.N.Y. June 20, 2018)

Court denied parties' cross motions for summary judgment as to plaintiff's infringement claims. Plaintiff, marketing agency, created lookbook to be used in advertising campaign for Long Island shopping center. Defendant, luggage manufacturer, working with separate ad agency, used four images from plaintiff's lookbook as inspirational "mood images" to create four new images, which were included in defendant's lookbook and other marketing materials. Plaintiff sued defendant for infringement and both parties moved for summary judgment. Defendant argued no substantial similarity between parties' four photos, each of which combined unprotectable *scènes à faire* constituting stock elements of 1920s (e.g., couple and dog in director's chairs, dog and flapper, woman dancing Charleston, and couple inside hanger) and unique protectable elements (e.g., time of day and subject's attire, pose, and expression). Court denied both mo-

tions, holding that many of protectable elements in both parties' photographs were similar, such that reasonable jury could find that alleged copies were substantially similar to originals; however, similarities were not so encompassing as to persuade court to rule that works were substantially similar as matter of law. Court also denied defendant's summary judgment motion as to infringement claim based on defendant's behind-the-scenes video footage of defendant's photoshoot, which featured plaintiff's images digitally altered to include defendant's luggage. Court was not persuaded by defendant's arguments that use of plaintiff's images was *de minimis*, based on fact that photo was shown twice in three-minute video, and that both shots focused on and clearly identified image. In addition, court found that video showing models and crew recreating scene on set for five seconds reinforced prominence of image in video.

Smith v. AMC Networks, No. 18-3803, 2019 U.S. Dist. LEXIS 15930 (N.D. Cal. Jan. 31, 2019)

District court denied defendants' motion to dismiss amended complaint alleging copyright infringement in connection with defendants' television series *Fear the Walking Dead*. Around 2007, plaintiff authored *Dead Ahead*, which featured zombie characters on high seas. Plaintiff hired David Alpert as his agent to represent plaintiff's interest in consulting with television and motion picture studios regarding use or exploitation of *Dead Ahead*. In 2015, Alpert and another defendant were listed as executive producers of *Fear the Walking Dead*, which aired on defendants' network. Plaintiff asserted that many similarities existed between *Dead Ahead* and *Fear the Walking Dead* including plot, characters, dialogue, themes, setting, mood, and pace. Court noted that extrinsic test is appropriate for determining substantial similarity on motion to dismiss. However, court followed Ninth Circuit precedent that "extrinsic test requires analytical dissection of a work and expert testimony." Record, comprised solely of plaintiff's amended complaint, would not allow for analysis of unprotectable and protectable elements in *Dead Ahead*; court accordingly denied defendants' motion to dismiss.

Nat'l Grange of the Order of Patrons of Husbandry v. Cal. Guild, 334 F. Supp. 3d 1057 (E.D. Cal. 2018)

Court granted plaintiff's motion for summary judgment as to infringement claim. Plaintiff, National Grange, created affiliated California chapter in 1873. However, after dispute occurred, plaintiff revoked membership and disaffiliated California chapter in 2012. Nevertheless, members of disaffiliated chapter continued to exist as separate entity under previous corporate charter, using names CSG and "formerly the California State Grange." California chapter also continued to use website and member-

ship brochures that had been created and used prior to dispute and disaffiliation. Plaintiff sued disaffiliated chapter, alleging ownership of and registrations for website and brochure content, as well as violation of rights, including testimony from ex-employee of defendant that chapter leader told him to maintain website and brochures exactly as they were, with exception of changing all instances of "Grange" to "CSG." Court found no genuine issue of material fact that (1) plaintiff owned valid copyrights and (2) defendant copied plaintiff's work without permission in substantially similar manner. Accordingly, court granted plaintiff's motion for summary judgment on infringement claim.

Gray v. Perry, No. 15-5642, 2018 U.S. Dist. LEXIS 138263 (C.D. Cal. Aug. 13, 2018)

District court denied defendants' motion for summary judgment. Plaintiffs brought suit alleging that defendants' song "Dark Horse" infringed plaintiffs' copyright in earlier-released song "Joyful Noise." In proving substantial similarity, plaintiffs relied on report of musicologist expert, who concluded that ostinato in "Dark Horse" clearly "borrows a memorable and highly characteristic combination of discrete and memorable musical elements heard in Joyful Noise," and given "the important structural function" of ostinato in "Dark Horse," plaintiffs' song "can be said to have provided essential and highly characteristic music materials for Dark Horse." Court agreed that testimony was sufficient to raise genuine issue of material fact, holding that plaintiffs' expert "identified particular features of the works which, taken in combination could support a finding of substantial similarity by a reasonable jury." Court was unconvinced by defendants' arguments that plaintiffs' expert did not properly (1) apply methodology of extrinsic test; (2) extract unprotectible elements from his comparison; or (3) explain how combination of elements in ostinato of "Joyful Noise" constituted protectable expression. Court held that Ninth Circuit's extrinsic test does not require uniform set of factors for analyzing musical composition, finding that plaintiffs' expert properly engaged in analysis of external, objective criteria of both songs. Court further acknowledged that showing copying of "combination of unprotectible elements" can satisfy extrinsic test, and could not determine as matter of law that "overlapping similarities of several elements of the ostinatos in both songs" identified by plaintiffs' expert were not protectable musical expressions.

Zindel v. Fox Searchlight Pictures, Inc., No. 18-1435, 2018 U.S. Dist. LEXIS 123872 (C.D. Cal. Jul. 23, 2018)

Court dismissed infringement claim. Plaintiff was son of playwright Paul Zindel and trustee of trusts owning interest in Zindel's works. Paul Zindel

created play *Let Me Hear You Whisper* in or about 1969; plaintiff alleged that 2017 film *The Shape of Water* and book based on film infringed copyright in play. Court rejected plaintiff's argument that "inverse ratio" rule allowed him to make lesser showing of substantial similarity due to strong access showing. Court found that rule only applied to proving copying, and not to substantial similarity. Court applied extrinsic test, focusing on similarities of plot, theme, dialogue, mood, setting, pace, characters, and event sequence. As to plot and sequence, court found several concepts – including works' shared premise of scientific facility employee deciding to free creature on which experiments are being performed – too general to be protectable. Court also found differences in protagonists' relationship to creature, attempts to escape, and additional storylines in film and book. As to setting, court found lab setting could not be protectable because it related to unprotectable concept of employee attempting to free animal at testing facility. Works also took place in different cities and possibly different times. Court found works largely explored different themes, and similarities in themes were due to identity of general premise. Court also found pacing different in works. As to mood, court found that film contained "dreamlike quality" play lacked. As to characters, court found play's characters inadequately developed to be protectable. Further, court found differences in protagonists, test subjects, and other characters. As to dialogue, court found some common words in works, but found use to be in different locations and contexts. In sum, court reviewed 61 alleged points of similarity but found works not substantially similar.

Finding no direct liability, court also dismissed contributory and vicarious liability claims. Court granted motion to dismiss without leave to replead.

Mfg. Automation & Software Sys. v. Hughes, No. 16-8962, 2018 U.S. Dist. LEXIS 106797 (C.D. Cal. June 25, 2018)

Court denied defendants' summary judgment motion. Plaintiff software developer sold "Traceability Made Easy" program, for which it owned seven registrations and one application. Plaintiff alleged defendants copied its program in creating "InformaTrac Pro" program. Defendants moved for summary judgment. Court assessed defendants' substantial similarity arguments. First, defendants argued that alleged copying – contended by plaintiff's expert to be 24 lines of code amounting to less than hundredth of percent of plaintiff's total code – was *de minimis*, and in any event concerned "basic database operations" that amounted to *scènes à faire*. Court found that plaintiff raised triable issue of fact as to whether defendants copied protectable code. Court applied lower standard of proof regarding substantial similarity because defendants did not contest access. Court did not apply "virtual identity" standard, because defendant

did not show that substantial part of work was not protected. Applying substantial similarity standard and extrinsic test, court found plaintiff identified similarities between works. Additionally, court found that neither party sufficiently addressed "intermediate copying" issue, but that "viability of plaintiff's intermediate copying theory remain[ed] undetermined."

GC2 Inc. v. Int'l Game Tech., No. 16-8784, 2018 U.S. Dist. LEXIS 192606 (N.D. Ill. Nov. 12, 2018)

Court granted defendants' motion for summary judgment. Plaintiff, creator of artwork for casino slot machine games, sued defendants, producers and sellers of games used in casinos and online casinos, and sellers of software for digital casino games, alleging that defendants used plaintiff's artwork in slot machine games without plaintiff's permission. Court held that no reasonable fact finder could find images in defendants' games substantially similar to protectable expression in plaintiff's copyrighted material. Court, distinguishing between noncopyrightable concepts of slot machine games and particular expressions of those ideas (graphics, background colors, designs of letters and numbers, fronts, colors, etc.), held that, while concepts of plaintiff's and defendants' images were similar because both involved cats and diamonds, games had entirely different look and feel.

Hall v. Daniels, No. 18-1349, 2018 U.S. Dist. LEXIS 134012 (N.D. Ill. Aug. 9, 2018)

District court granted defendant's motion to dismiss plaintiff's copyright infringement claim for failure to plead that defendant's work was substantially similar to plaintiff's. Plaintiff alleged that she wrote and registered book entitled *Girl, You Ain't Gonna Make It, So They Said* and audiobook version of same entitled *I'm Breaking Through*, which depicted main character's struggles growing up in poverty in Chicago with 13 siblings. Plaintiff allegedly pitched her book to Hollywood producers, both herself and via defendant self-publishing resource provider Author Solutions (ASL). Subsequently, plaintiff claimed, defendants producer Lee Daniels and Twentieth Century Fox (TCF), without her authorization, turned her book into television series *Empire*, which revolved around dramatic exploits of enormously wealthy Manhattan family with three sons that ran successful music production company. Court held that setting and tone of works at issue could not be more different. Plaintiff's cherry-picked similarities – e.g., fathers in both works faced (different) serious illnesses, names of parents in both books started with same letters, family drama ensued after revelation of paternity, etc. – were unprotectable incidents, characters or settings indispensable, or at least standard, in treatment of subject matter. Because plaintiff did not show substantial similarity between protectable

elements of her works and defendants' work, copyright infringement claim was dismissed.

Maule v. Anheuser Busch, LLC, No. 17-461, 2018 U.S. Dist. LEXIS 125805 (E.D. Pa. July 27, 2018)

Plaintiff was self-described "well-known and highly respected Philadelphia photographer and journalist." Plaintiff created photograph of Philadelphia skyline, including landmarks of One and Two Liberty Place, BNY Mellon Center, and 1818 Market Streeet. Plaintiff then altered photo by adding two buildings which didn't exist at time – Comcast Center, which was later built, and Mandeville Place, which was never built. Plaintiff also altered text on billboard captured by changing it to include name of website plaintiff owned. Plaintiff alleged that defendants' neon sign advertising Budweiser beer and portraying Philadelphia skyline infringed work. Defendants moved to dismiss. Plaintiff alleged substantial similarity as to three aspects of work: (1) altered billboard sign, (2) buildings in Philadelphia skyline, and (3) inclusion of Mandeville Place. Court rejected first argument because defendants' work did not contain relevant billboard. Second, court found Philadelphia skyline, beyond Mandeville Place, not subject to protection. Third, court found differences in works outweighed similarity based on inclusion of Mandeville Place. Plaintiff's work was realistic, to scale, and provided depth, while defendants' work was red and cartoonlike and lacked shading. In sum, no reasonable fact finder would find protectable elements of works substantially similar, or find that works shared "same aesthetic appeal."

Dubay v. King, No. 17-348, 2019 U.S. Dist. LEXIS 38990 (M.D. Fla. Mar. 1, 2019)

District court granted defendants' motion for summary judgment. Plaintiff, copyright owner of comic book character "The Rook," sued Stephen King, publishing company and entertainment companies alleging direct, vicarious and contributory infringement of "The Rook" character in King's series of novels entitled *The Dark Tower* and movies based on books. Plaintiff argued that King's protagonist Roland Deschain was "so shockingly and extraordinarily similar" to The Rook protagonist Restin Dane that King "must have unlawfully copied and misappropriated The Rook character." Court applied objective extrinsic test and subjective intrinsic test to determine whether works were substantially similar, observing that in Eleventh Circuit substantial similarity exists "where an average lay observer would recognize the alleged copy as having been appropriated from the copyrighted work"; plaintiff must establish "specifically that the allegedly infringing work is substantially similar to the plaintiff's work with regard to its protected elements." After thorough review of charac-

ters, themes, objects, names, and "total look and feel" of works, court found that any similarities that existed were general ideas and *scènes à faire*; combination of nonunique elements in each character was not substantially similar. Due to lack of substantial similarity as to protected elements, district court granted summary judgment for defendants.

Remark Home Designs, LLC v. Oak St. Condo Projects, LLC, No. 16-14305, 2019 U.S. Dist. LEXIS 14589 (E.D. Mich. Jan. 30, 2019)

Plaintiff, home design company, brought suit against defendant, residential construction company, alleging infringement of plaintiff's architectural plans and building constructed from plans. Defendant brought motion for summary judgment. District court held that no reasonable jury would find substantial similarity between respective buildings. Court found that, even assuming all elements identified by plaintiff were protectable, there were significant differences between respective buildings, namely different ceiling heights, number of floors, stairways leading to additional floors, different window and roofing designs, and porch sizes. Court determined, after evaluating protectable elements in buildings as whole and considering "overall feel," that defendants established as matter of law that they did not copy substantial portion of plaintiff's building.

C. *Contributory/Vicarious Infringement*

VHT, Inc. v. Zillow Grp., Inc., 918 F.3d 723 (9th Cir. 2019)

Ninth Circuit affirmed district court's post-jury trial holding notwithstanding verdict that defendant did not contributorily or vicariously infringe plaintiff's copyrights in photographs used on defendant's website as result of affirmative actions taken by third parties because there were no simple measures that defendant could take to prevent infringement, and because defendant lacked practical ability to police its users. Defendant Zillow operated online real estate marketplace that included two parts: Listing Platform, which featured photos and information regarding properties both on and off market, and Digs, which featured photos of artfully designed rooms in certain properties. Plaintiff professional real estate photography studio took photographs of new listings for marketing purposes pursuant to license agreements with real estate brokers, agents and listing services ("feed providers"), who then provided photos and other content ("feed data") to Zillow pursuant to separate agreement. In agreements with Zillow, feed providers represented that they had all necessary rights and authority to enter into agreement relating to feed data, and that Zillow's exercise of rights granted by feed providers would not violate any third party's rights. Not all photos from Listing Platform were displayed

on Digs, but Zillow allowed users to save Listing Platform photos to personal boards on Digs; some of these user-saved Digs photos were ultimately added to searchable set by Zillow moderators. Plaintiff sent Zillow demand letter listing physical property addresses associated with allegedly infringing photos. Zillow asked for copies of license agreements between plaintiff and feed providers to assess claims, which plaintiff did not provide prior to bringing suit. Plaintiff failed to establish contributory infringement because it did not show that Zillow either materially contributed to or induced infringement. Zillow, as computer system operator, materially contributes to infringement if it actually knows that specific infringing material is available using its system, and fails to take available simple measures to prevent further infringement. Although plaintiff sent demand letter to Zillow, it failed to identify specific URLs associated with allegedly infringed photos, such that Zillow did not have information necessary to take "simple measures" to remedy violations and therefore did not materially contribute to infringement.

Moreover, Zillow did not induce infringement because allowing users to save Listing Platform photos to Digs did not constitute promotion of Digs specifically to infringe copyrights, and because simple failure to take affirmative steps to prevent infringement is insufficient for inducement liability. Plaintiff failed to establish vicarious liability because Zillow lacked practical ability to police its users' infringing conduct on Digs. Once plaintiff's photos were uploaded to Listing Platform by feed providers with appropriate certification of rights, ferreting out claimed infringement through use on Digs was practically impossible.

Erickson Prods. v. Kast, 921 F.3d 822 (9th Cir. 2019)

Ninth Circuit vacated jury's finding of vicarious liability, and affirmed finding of contributory liability. Atherton Trust, real estate wealth management company operated by defendant, hired website developer to redevelop website. Defendant agreed "to provide content and other material . . . throughout the development process," and defendant's approval would be required on "design, development and finalization" of website. Defendant "highlighted certain features of Wells Fargo's website he found appealing," and "stated in emails that he wanted to mimic Wells Fargo's website." Three photos from Wells Fargo's website, authored by plaintiff and licensed to Wells Fargo, were incorporated into Atherton's website without license. After trial, jury returned verdict for plaintiff on vicarious and contributory infringement claims, and defendant appealed. Defendant argued that trial court erred in not directing verdict for defendant on vicarious infringement claim because plaintiff presented no evidence that defendant received direct financial benefit. Ninth Circuit agreed, reasoning that website owner can receive direct financial benefit

from presence of infringing material on website, but only where availability of infringing material acts as draw for customers; if infringing material is "just an added benefit," rather than draw, it does not confer direct financial benefit on website owner. Enhanced attractiveness of website was not sufficient because there was no connection between inclusion of photos and clients visiting website or using defendant's services. Web developer's avoidance of license fee was insufficient because defendant did not receive financial benefit from developer's failure to pay fee; and any expediency defendant was able to capitalize on in launching website through use of photos was not sufficient because defendant did not receive revenue or clients before he took down plaintiff's photos. Court accordingly vacated finding of vicarious liability. Defendant argued further that trial court erred in instructing jury that "knowledge" for contributory infringement includes having "reason to know" of infringement; defendant argued that only "actual knowledge" or "willful blindness" was sufficient. Court, however, found that even if "should have known" instruction was erroneous, error was not plain, noting that inconsistency in Circuit's case law on "knowledge" element of contributory liability precluded finding of plain error. Court thus affirmed jury's finding of contributory liability.

Cobbler Nev., LLC v. Gonzales, 901 F.3d 1142 (9th Cir. 2018)

Ninth Circuit affirmed district court's dismissal of plaintiff's contributory infringement claim because plaintiff's allegations that defendant failed to take affirmative steps to police his internet connection, without intentional infringement or encouragement of infringement, were insufficient. Plaintiff, owner of copyright in film *The Cobbler*, identified IP address that had, without authorization, downloaded and distributed film multiple times. After filing suit against IP address, plaintiff obtained records identifying defendant individual as subscriber associated therewith. Defendant's internet service was accessible to both residents and visitors at adult care foster home, and defendant did not disclose names or work schedules of home due to confidentiality concerns. Plaintiff sued defendant personally for contributory infringement, alleging only that defendant failed to secure, police and protect internet connection to which he subscribed, without any contention that defendant actively encouraged or induced infringement through specific acts. Because providing internet access not akin to distributing product or service not capable of substantial or commercially significant non-infringing uses, district court properly dismissed plaintiff's contributory infringement claim.

Joint Stock Co. "Channel One Russ. Worldwide" v. Russian TV Co., No. 18-2318, 2019 U.S. Dist. LEXIS 27991 (S.D.N.Y. Feb. 21, 2019)

District court denied defendants' motion to dismiss claims of direct and secondary infringement. Plaintiff produced and broadcast television programming in Russian Federation. Plaintiff entered into licensing agreements with third parties granting exclusive right to broadcast and rebroadcast plaintiff's programming in U.S. Defendant owned and operated website through which it provided unauthorized access to programming in U.S, sold "set-top boxes" that facilitated unauthorized access to programming, and advertised subscriptions for Russian TV to U.S. customers. Plaintiff filed suit asserting claims of direct and secondary infringement. As to direct infringement, plaintiff alleged defendants infringed plaintiff's right to reproduce its programming "in copies." "Copies," as defined in Act, "are material objects . . . in which a work is fixed by any method . . . and from which the work can be . . . reproduced." Definition imposes requirements that work be "embodied in a medium" and that it remain embodied for period of more than transitory duration. Court held plaintiff sufficiently pleaded "embodiment" because plaintiff alleged defendants stored plaintiff's programming on content delivery network for defendant's subscribers to access, and it was reasonable to infer that plaintiff's programming remained on defendants' network for at least several minutes – more than transitory duration. Court found complaint also stated claim for contributory liability. Court noted that one infringes contributorily by intentionally inducing or encouraging direct infringement. Accordingly, contributory liability claim required plaintiff to demonstrate defendants knew or had reason to know of direct infringement. Defendants' website provided access to subscribers of unlicensed programming belonging to plaintiff at lower price than plaintiff's subscription services. Defendants thus had reason to know they were selling programming acquired through infringing activity, especially since defendants were not licensees of plaintiff. Court held complaint plausibly alleged that defendants materially contributed to unauthorized reproduction of plaintiff's programming by creating demand for it, advertising access to it, and distributing it to subscribers.

J & J Sports Prods. v. J & O LLC, No. 17-4180, 2018 U.S. Dist. LEXIS 141906 (E.D.N.Y. Aug. 21, 2018)

Plaintiff had exclusive rights to exhibit boxing championship event and had granted right to broadcast event for fee to establishments throughout New York. Plaintiff learned that defendant J&O, lounge operator, had broadcast event in its establishment and brought claim against J&O and individual defendants as "officer[s], director[s], shareholder[s] and/or prin-

cipals of [J&O]." Defendants failed to answer and plaintiff moved for default judgment. Magistrate judge recommended that default judgment was not appropriate against individual defendants, and court agreed. To establish vicarious liability against individual, plaintiff is required to show that individual had (1) right and ability to supervise violations, and (2) obvious and direct financial interest in misconduct. Plaintiff failed to show that individual defendants authorized or supervised violation and had obvious and direct financial interest in infringing activity. Mere fact individual defendants were officers or directors of establishment was not sufficient to establish individual control or involvement or direct financial interest in infringing actions. Court upheld magistrate judge's denial of motion for default against individual defendants.

Franklin v. X Gear 101, LLC, No. 17-6452, 2018 U.S. Dist. LEXIS 122658 (S.D.N.Y. Jul. 23, 2018)

Pro se plaintiff brought copyright infringement claim against defendants Joshua Tydlacka and X Gear 101, LLC for selling goods and publishing images bearing logo that plaintiff allegedly designed. Plaintiff also named defendants GoDaddy, Inc. and GoDaddy.com, LLC, alleging that they provided web hosting services to Tydlacka; and Instagram, LLC, alleging that it provided photo sharing platform on which X Gear marketed its products. Plaintiff alleged that GoDaddy and Instagram had "reason to know of plaintiff's rights in said copyright since plaintiff has provided [them] with a Notice of Infringement." Court interpreted plaintiff's complaint as alleging that GoDaddy and Instagram were contributorily liable for inducing Tydlacka and X Gear's actions. Court, noting that "inducement requires a showing of intent to promote infringing uses," found plaintiff's allegation that GoDaddy and Instagram received notice insufficient to support claim of contributory liability. Court dismissed infringement claims against GoDaddy and Instagram.

Fish Kiss LLC v. N. Star Creations, LLC, No. 17-8193, 2018 U.S. Dist. LEXIS 136147 (D.N.J. Aug. 13, 2018)

Court denied defendant's motion to dismiss plaintiff's claim of vicarious and/or contributory infringement. Plaintiff, which specialized in creation of unique designs and artwork, entered into license agreement with manufacturer of textile products to sell Christmas stockings, Christmas tree skirts, adult kitchen aprons, dish towels, and decorative pillows bearing plaintiff's designs. After agreement ended, plaintiff sued manufacturer, including company and individual owners, alleging that defendants violated license agreement by failing to make timely royalty payments, failing to cease use and sale of licensed products upon termination of license, and failing to obtain approval of modified licensed products prior to distribu-

tion, and therefore manufacturer was liable for infringement and owners of manufacturer were liable for vicarious and contributory infringement. Defendants argued that plaintiff was required to pierce corporate veil of LLC to hold owners vicariously and contributorily liable. Court disagreed, holding that claim for vicarious liability may be adequately stated by alleging that defendant had (1) knowledge of infringement, (2) right and ability to supervise infringing conduct, and (3) direct financial interest in infringing conduct. Considering plaintiff's allegations that owners had knowledge of infringement based on cease-and-desist letter, that owners controlled premises and sewing factory in which allegedly infringing materials were produced, and that owners derived financial benefit based on sales figures, court found claim adequately pleaded and denied motion to dismiss.

D. Miscellaneous

BWP Media USA, Inc. v. Polyvore, Inc., 922 F.3d 42 (2d Cir. 2019)

Plaintiff celebrity photographers brought suit against defendant ISP which hosted site that allowed users to create collages through use of "Clipper" tool and to share collages on site. District court, relying on *Cartoon Network LP, LLLP v. CSC Holdings, Inc.* ("*Cablevision*"), granted defendant's motion for summary judgment, finding defendant did not act volitionally. Second Circuit issued *per curiam* decision, and each judge on panel wrote separate concurring opinion discussing volitional conduct standard. As initial matter, Judge Walker rejected plaintiff's argument that *American Broadcasting Companies, Inc. v. Aereo, Inc.* abrogated volitional conduct requirement in *Cablevision*. While agreeing with district court that defendant's creation of Clipper tool was not volitional act, Judge Walker found plaintiff raised question of material fact as to whether defendant's actions – of making and displaying more than one copy of plaintiff's images – were volitional. In his concurrence, Judge Newman proposed that volitional conduct requirement be thought of as proximate cause, and further found that Judge Walker's finding regarding Clipper tool was at least premature given remand. Judge Pooler's separate concurrence took issue with Judge Walker's bright line volitional conduct rule – that ISP does not satisfy volitional conduct rule when it automatically makes one copy in response to user, but might be liable if it provides additional copies in response to user's request for one. Court vacated judgment and remanded to trial court.

VHT, Inc. v. Zillow Grp., Inc., 918 F.3d 723 (9th Cir. 2019)

Ninth Circuit affirmed district court's post-jury trial finding that defendant did not directly infringe plaintiff's copyrights in photographs displayed on

defendant's website as result of affirmative actions taken by third parties that represented that they possessed valid rights in photographs. Defendant Zillow operated online real estate marketplace that included two parts: Listing Platform, which featured photos and information regarding properties both on and off market, and Digs, which featured photos of artfully designed rooms in certain properties. Plaintiff professional real estate photography studio took photographs of new listings for marketing purposes pursuant to license agreements with real estate brokers, agents and listing services ("feed providers"), who then provided photos and other content ("feed data") to Zillow pursuant to separate agreements. In agreements with Zillow, feed providers represented that they had all necessary rights and authority to enter into agreement relating to feed data, and that Zillow's exercise of rights granted by feed providers would not violate any third party's rights. Feed provider agreements permitted Zillow's use of photographs on Listing Platform on basis that was either evergreen, i.e., without time restriction, or deciduous, i.e., temporally limited until feed provider's particular listing is removed. Feed providers themselves selected and uploaded every photograph to Listing Platform, along with evergreen or deciduous designation. If identical photo was submitted by multiple feed providers, Zillow employed technologically-deployed trumping rules that preferenced photos with evergreen rights over those with deciduous rights. Not all photos from Listing Platform were displayed on Digs, but Zillow allowed users to save Listing Platform photos to personal boards on Digs; some of these user-saved Digs photos were ultimately added to searchable set by Zillow moderators. To prevail on direct copyright infringement, plaintiff had to show that Zillow engaged in volitional conduct, i.e., that Zillow was actively involved so as to be direct cause of infringement of plaintiff's photos. With regard to Listing Platform and non-searchable Digs photos, plaintiff failed to show that Zillow exercised control over alleged infringement other than by general operation of website, or that Zillow itself (rather than its feed providers or users) selected any material for upload, download, transmission or storage, or that Zillow itself instigated any copying, storage or distribution. In fact, Zillow actively designed its system to avoid and eliminate copyright infringement via evergreen and deciduous designations and associated trumping rules. Ninth Circuit affirmed district court's finding that Zillow did not directly infringe plaintiff's copyrights in photos displayed on Listing Platform (but not on Digs) or displayed on Digs without being made searchable by Zillow.

Cobbler Nev., LLC v. Gonzales, 901 F.3d 1142 (9th Cir. 2018)

Ninth Circuit affirmed district court's dismissal of plaintiff's direct copyright infringement claim because plaintiff's allegations that individual de-

fendant was registered subscriber of IP address associated with infringement failed to create reasonable inference that defendant was also infringer. Plaintiff, owner of copyright in film *The Cobbler*, identified IP address that had, without authorization, downloaded and distributed film multiple times. After filing suit against IP address, plaintiff obtained records identifying defendant individual as subscriber associated therewith. Defendant's internet service was accessible to both residents and visitors at adult care foster home, and defendant did not disclose names or work schedules of home due to confidentiality concerns. Plaintiff sued defendant personally for direct copyright infringement, claiming only that defendant was subscriber of IP address used to download or distribute movie and that defendant was sent notices of infringing activity to which he did not respond. Ninth Circuit held district court properly dismissed direct infringement claim because plaintiff failed to plead factual allegation creating reasonable inference that defendant himself was infringer.

RJ Control Consultants, Inc. v. Multiject, LLC, No. 16-10728, 2018 U.S. Dist. LEXIS 191187 (E.D. Mich. Nov. 8, 2018)

Court granted defendants' motion for summary judgment. Plaintiffs RJ Control Consultants and principal Paul Rogers brought suit against defendants Multiject LLC, its principal Jake Elder, and RSW Technologies, LLC. Previously, Elder and Rogers worked jointly on injection molding machines, with Rogers working on control system for rotary turntable. Between 2008 to 2012, RJ Control made control systems for Multiject based on Rogers's design. In 2013, Multiject created "Design 3," consisting of technical drawings of control system and code. In 2014, when RJ Control was preparing order for Multiject, Elder asked for Design 3. Multiject gave Design 3 to RSW to make control systems at lower prices than those furnished by RJ Control. Plaintiffs brought infringement claims. Court found that using Design 3 to make control systems was not infringement, because Act did not cover manufacture of useful article from "copy or derivative copy" of copyrighted drawings and code.

TD Ameritrade, Inc. v. Matthews, No. 16-136, 2018 U.S. Dist. LEXIS 118684 (D. Alaska July 16, 2018)

Court denied plaintiff's motion to dismiss copyright infringement counterclaim. Defendant, who had received access to investment account with plaintiff, accessed plaintiff's thinkorswim applications program interface for investment trading. Defendant's access enabled defendant to create own computer software program for investment trading, for which defendant obtained copyright registration. Plaintiff sued defendant for declaratory judgment, cancellation and release of claimed nonconsensual common law lien, and injunctive relief. Defendant asserted counterclaim

for copyright infringement, alleging that defendant's source code was misappropriated by plaintiff without his permission when plaintiff perpetrated cyberattack against defendant's computer, enabling plaintiff to use and permit others to use defendant's copyrighted work. Plaintiff asserted that defendant was precluded from asserting copyright over source code because terms of Client Agreement to which defendant agreed in accessing plaintiff's interface provided that use of plaintiff's services by defendant "will not confer any title ownership interest or intellectual property rights," and required defendant to agree that he "will not create derivative works from, distribute, redistribute, display, sell or transfer, or creative derivative products" from plaintiff's services. Plaintiff moved to dismiss defendant's infringement counterclaim, arguing that defendant could not show he was valid copyright owner in light of Client Agreement. Court denied plaintiff's motion, finding that defendant's copyright registration, coupled with allegations that source code at issue was not derivative work of plaintiff's source code but was instead created separate and apart from plaintiff's system, created rebuttable presumption of copyright ownership.

VI. DEFENSES/EXEMPTIONS

A. Fair Use

Capitol Records, LLC v. ReDigi Inc., 910 F.3d 649 (2d Cir. 2018)

Second Circuit affirmed district court's holding that defendant's infringement of plaintiffs' exclusive right to reproduce phonorecords was not justified by fair use doctrine. Defendant ReDigi, formed with goal of providing lawful resale marketplace for digital music, created system claimed to operate as follows: user who owned digital music file lawfully purchased through iTunes uploaded eligible file to ReDigi's remote server Cloud Locker by way of "data migration" process wherein file is broken up into constituent digital "packets" of data that, as they are transitorily copied into user's computer buffer, are deleted from permanent storage on user's computer device. Once all packets of eligible source file were transferred to Cloud Locker, file had been removed from user's device without ever existing in two places at once. Original user could continue to access file through Cloud Locker until it was sold, at which point new purchaser obtained exclusive access to file. Plaintiff record labels sued ReDigi and its principals, claiming that ReDigi's system infringed plaintiffs' copyrights by unauthorized reproduction and distribution of plaintiffs' copyrighted sound recordings. ReDigi countered that its actions were protected under fair use doctrine. On first fair use factor, ReDigi made no change to copyrighted phonorecord, nor did ReDigi deliver content in more efficient, convenient or usable form; its use, accordingly, was not transformative.

Second factor was not decisive, though sound recordings at issue were creative works. Third, ReDigi made identical copies of plaintiff's entire copyrighted sound recordings, which weighed against fair use finding. Finally, ReDigi, to compete with plaintiffs, created reproductions of digital phonorecords that were effective substitutes for original works and therefore substantially harmed value of plaintiffs' legitimate phonorecords. Fourth factor further weighed against fair use because ReDigi's digital reproductions, unlike physical records or books, do not deteriorate, thus directly compete with plaintiffs' original phonorecords. Because ReDigi's infringement not justified as fair use, district court's finding of infringement affirmed.

VHT, Inc. v. Zillow Grp., Inc., 918 F.3d 723 (9th Cir. 2019)

Post jury trial, Ninth Circuit affirmed district court's summary judgment holding that defendant's direct infringement of plaintiff's copyrighted photographs that defendant displayed and tagged for searchability was not fair use. Defendants Zillow operated online real estate marketplace that included two parts: Listing Platform, which featured photos and information regarding properties both on and off market, and Digs, which featured photos of artfully designed rooms in some properties. Plaintiff professional real estate photography studio took photographs of new listings for marketing purposes pursuant to license agreements with real estate brokers, agents and listing services ("feed providers"), who then provided photos and other content ("feed data") to Zillow pursuant to separate agreement. In agreements with Zillow, feed providers, in order to select and upload photographs to Listing Platform, represented that they had all necessary rights and authority to enter into agreement relating to feed data, and that Zillow's exercise of rights granted by feed providers would not violate any third party's rights. Zillow allowed users to save Listing Platform photos to personal boards on Digs, and some of these user-saved Digs photos were ultimately tagged by Zillow moderators so as to be searchable by Digs users on basis of certain attributes or features. After jury found Zillow liable for direct infringement of searchable photos, Zillow appealed district court's earlier summary judgment ruling that Zillow's searchability function was not fair use as matter of law on ground that Digs was search engine that rendered Zillow's use of plaintiff's photos transformative and therefore fair. On first factor, court held that Zillow's simple tagging and query system on Digs displayed plaintiff's full-sized, copyrighted images for same purpose that plaintiff originally took them (to artfully depict rooms and properties), without allowing plaintiff to opt out of display, and without any transformation or change to photos. Moreover, Zillow's use on Digs, unlike previous search engines such as Google, did not result in any social benefit such as providing electronic

reference tool or augmenting public knowledge. Because Zillow's use was not transformative, first factor weighed against fair use finding. Second, although plaintiff's works were creative in nature, second factor operated with less force in plaintiff's favor because plaintiff's photos were previously permissibly published on Listing Platform. Because Zillow displayed plaintiff's entire, full-quality photos, third factor weighed against finding of fair use. Finally, Zillow's use adversely affected plaintiff's potential market for its photos. Ninth Circuit therefore affirmed district court's finding that Zillow's display of searchable versions of plaintiff's photos of Digs was not fair use.

Brammer v. Violent Hues Prods., LLC, No. 18-1763, 2019 U.S. App. LEXIS 12572 (4th Cir. Mar. 19, 2019)

Fourth Circuit reversed and remanded district court's grant of summary judgment to defendant. Plaintiff, commercial photographer who licensed his work as stock imagery, brought copyright infringement action against defendant, film production company, after learning that defendant made unlicensed use of plaintiff's photograph depicting Washington, D.C. neighborhood of Adams Morgan on its website to promote music and film festival. District court held that defendant's actions constituted fair use, and plaintiff appealed. Fourth Circuit found that first factor weighed against finding of fair use because defendant's use (1) was not transformative, given defendant's minimal changes to content and context of photograph; and (2) constituted commercial use, given that defendant was commercial enterprise and commercial market existed for stock imagery. Court rejected defendant's contentions that it (1) transformed photograph by placing it in "a new context to serve a different purpose" – i.e., providing viewers of its website with "information" about Adams Morgan – finding instead that defendant used photograph expressly for its content; and (2) acted in good faith, holding that even if court considered good faith to be relevant to fair use inquiry, defendant did not offer any evidence that it acted in good faith. Court found that second factor weighed against fair use because plaintiff's photograph merited "thick" protection, given evidence of plaintiff's creativity, and held that photograph's publication status had no relevance. Third factor also weighed against fair use; court found that defendant's taking of half of plaintiff's photograph, merely removing negative space, was not justified, particularly given defendant's non-transformative use. As to fourth factor, court applied "common sense" presumption of cognizable market harm, determining that given defendant's commercial use of photograph and duplication of "heart of the work," plaintiff need not demonstrate that licensing market for photo would be depressed should defendant's behavior become widespread. After considering all of fair use factors together, it was clear that defendant's

online display of photograph did not serve interest of copyright law. "Violent Hues did not comment on the Photo, promote the Photo, 'remix' the Photo, or otherwise engage with the Photo in a way that might stimulate new insights." District court thus erred in granting summary judgment to defendant.

Cambridge Univ. Press. v. Albert, 906 F.3d 1290 (11th Cir. 2018)

Plaintiff publishers brought suit against university officials to address practice of professors electronically distributing portions of plaintiffs' books to students. After bench trial, court found plaintiffs made prima facie infringement case in 48 instances, but that defendants established fair use in 43 instances. In earlier appeal, Eleventh Circuit reversed, vacated, and remanded to district court, upholding trial court's analysis of first and fourth fair use factors, but directing trial court to correct incorrect application of factors two and three and to not use mathematical formula in balancing factors. On remand, publishers moved to reopen record, and trial court denied motion. District court did change second and third factor analysis. However, on third factor, court looked to amount of unpaid authorization and determined it "excessive," which it interpreted as providing it with opportunity "'to look more favorably' on the unpaid use of a greater 'quantity' of material." Court also changed fourth fair use factor for 31 excerpts and changed its balancing approach. Eleventh Circuit again heard appeal and determined that trial court incorrectly understood mandate and misapplied fair use. First, court found district court erred when it revisited its fourth factor findings, because in earlier appeal, Eleventh Circuit upheld findings in 31 instances and did not instruct it to revisit those findings. Second, court found that trial court erred when it again used mathematical formula in assessing fair use; Eleventh Circuit directed trial court "that the court must not apply a mathematical formula at any step of its analysis." Third, district court erred in twice considering price of unpaid use as relevant to third factor. Finally, court found trial court did not abuse discretion in failing to reopen record on earlier remand. Eleventh Circuit reversed, vacated, and remanded.

Davidson v. United States, No. 13-942C, 2018 U.S. Claims LEXIS 801 (Fed. Cl. June 29, 2018)

Plaintiff brought copyright infringement suit against United States, acting through United States Postal Service ("USPS"), stemming from USPS's use of plaintiff's replica Statute of Liberty. Plaintiff was commissioned to sculpt replica of Statute of Liberty at New YorkNew York Hotel in Las Vegas in 1996. In 2010, USPS purchased photo of plaintiff's Lady Liberty sculptor from Getty Images to be used as USPS's new Forever Stamp. USPS eventually sold 4.9 billion Lady Liberty Forever Stamps with $2.1

billion in sales. Plaintiff discovered use of his sculpture by USPS and commenced action. During bench trial, USPS asserted fair use defense. Under first fair use factor, court found use was commercial in nature, especially considering USPS generated millions of dollars in pure profit. Court held second factor favored neither party because although creative nature of plaintiff's work attracted USPS, derivative nature of plaintiff's work and "its intended use as a replica mitigates in favor of defendant." Court split on remaining two factors as entire original and expressive portion of plaintiff's work was used by USPS. However, no evidence was introduced that plaintiff sought to commercially exploit his work. Ultimately, court held USPS did not prove fair use because plaintiff's entire original work, replica face of Lady Liberty, was used by USPS, which resulted in over $4 billion in sales and $70 million in profit without any public attribution to plaintiff.

Clark v. Transp. Alternatives, Inc., No. 18-9985, 2019 U.S. Dist. LEXIS 46274 (S.D.N.Y. Mar. 18, 2019)

District court granted defendant's motion to dismiss. Plaintiff photographer brought infringement claim against defendant for using his photograph of dockless bicycle parked on sidewalk in article on "Daily Bike Forecast" blog. Photograph had originally been included in New York Post article below headline "Dockless bikes are already clogging NYC sidewalks." Defendant included screenshot of Post article headline and plaintiff's photograph to show incongruity between headline and photograph, which did not show congestion caused by dockless bicycles. Defendant moved to dismiss plaintiff's claim based on fair use. Court found that use of photograph by defendant, non-profit, added commentary on Post's sloppy journalism; that use of entire photograph was reasonable to show context of how it appeared in Post's article; and that use was not "market substitute." Court held that defendant's use was fair and hence not copyright infringement, and noted that plaintiff's arguments "so failed to track the facts of this case that they read as if taken from briefing in litigation over an entirely different fact pattern," and that certain of plaintiff's counsel's practices "test the limits of the Court's presumption of good faith."

May v. Sony Music Entm't, No. 18-2238, 2019 U.S. Dist. LEXIS 24458 (S.D.N.Y. Feb. 13, 2019)

District court denied defendants' motion to dismiss claim of infringement stemming from use of phrase "We Run Things, Things No Run We" in Miley Cyrus song "We Can't Stop." In 1981, Michael May, Jamaican songwriter and recording artist, authored "We run things. Things no run we" as lyrical phrase included in his performances. Phrase combined English and Jamaican Patois dialect. Complaint was ambiguous as to whether May

merely adapted phrase from Jamaican Patios saying "Wi run tings. Tings nuh run wi," or originated phrase "from whole cloth." In 1988, May incorporated "We run things. Things no run we" into song "We Run Things," allegedly to express "attitude of personal freedom and situational control." Cyrus co-authored "We Can't Stop," which was released in 2013 and achieved "meteoric success," and was re-released each year thereafter. "We run things, things don't run we" appeared three times in "We Can't Stop." May asserted claim of copyright infringement based on incorporation of phrase into "We Can't Stop." Defendants argued use of phrase was fair. As to purpose and character of use, court held Cyrus song transformed May's phrase by adding new expression, meaning, or message; first factor thus weighed in favor of fair use. Whereas May's phrase played dominant role in *We Run Things*, it was much less prominent in Cyrus' song, which weighed in favor of fair use. On second factor, May's song was expressive and creative, thus cutting against fair use; on other hand, May published song decades ago, creating wider berth for fair use than if song had not been published. On third factor, court noted that portion used by Cyrus appeared reasonable in proportion to "the needs of the transformative use." However, further development of record was needed to fully assess whether copying was "consistent with or more than necessary to further the purpose and character of the use." As to fourth factor, court noted that complaint made no allegation that "We Can't Stop" usurped any potential market for "We Run Things" as whole or its derivatives, but did allege that industry standard practice was to clear rights to such "lyrical similarities." Court was "dubious" as to whether there even was "market" for licensing May's song in order to be able to use phrase, but that was not conclusion court could make on 12(b)(6) motion. Court noted further that defendants provided writing credit to other songwriters for samples that were used in "We Can't Stop," indicating that May was deprived of receiving similar credit and compensation for use of phrase. Accordingly, taking May's allegations as true and making reasonable inferences in his favor, fourth factor potentially could weigh against fair use. In sum, court held that although relevant factors strongly supported fair use, factual questions remained as to third and fourth factors, and denied motion to dismiss based on fair use.

Seuss Enters., Ltd. P'ship v. Comicmix Ltd. Liab. Co., No. 16-2779, 2019 U.S. Dist. LEXIS 58073 (S.D. Cal. Mar. 12, 2019)

Court granted defendants' motion for summary judgment, finding defendant's use of plaintiff's works was fair use. Defendants created *Oh, the Places You'll Boldly Go!* ("*Boldly*"), mash-up of Star Trek matter with material copied from plaintiff's works *Oh, the Places You'll Go!* ("*Go!*"); *How the Grinch Stole Christmas!*; and *The Sneetches and Other Stories*.

Under first factor, court found that although defendants "certainly borrowed from *Go!* – at times liberally – the elements borrowed were always adapted or transformed." Accordingly, defendants' work, while commercial, was highly transformative. Fact that defendants discussed necessity of license and determined that work was "fair use parody" without seeking advice of counsel did not amount to bad faith. Under second factor, plaintiff's works were highly creative but had also been long and widely published; court therefore concluded factor slightly favored plaintiff. On third factor, court found that defendants took discrete elements of copyrighted works: cross-hatching, object placements, certain distinctive facial features, lines written in anapestic tetrameter. "Yes, these are elements significant to the Copyrighted Works, but Defendants ultimately did not use Dr. Seuss' words, his character, or his universe." Under fourth factor, court found that plaintiff failed to sustain its burden to demonstrate by preponderance of evidence that defendants' work was likely substantially to harm market for plaintiff's works or licensed derivatives; thus, potential harm to plaintiff's market remained hypothetical. Court concluded that *Boldly* was not likely to usurp *Go!*'s market as children's book. Nor had plaintiff introduced evidence that it would lose licensing opportunities or revenues as result of publication of *Boldly* or similar works. Fourth factor favored neither party. On balance, court found, fair use factors favored defendants.

Philpot v. Alternet Media, Inc., No. 18-4479, 2018 U.S. Dist. LEXIS 203500 (N.D. Cal. Nov. 30, 2018)

Plaintiff photographer captured image of Willie Nelson and made it available on Wikimedia under Creative Commons Attribution 2.0 Generic license. Defendant maintained "alternative news website and companion Facebook page where it publishes and posts original content as well as content from other sources." Defendant posted meme on Facebook with introductory phrase "We need more values like this" with following quote laid over plaintiff's work: "Rednecks, hippies, misfits – we're all the same. Gay or straight? So what? It doesn't matter to me. We have to be concerned about other people, regardless. I don't like seeing anybody treated unfairly. It sticks in my craw. I hold on to the values from my childhood." Plaintiff brought suit for infringement and violation of DMCA. Defendant moved to dismiss infringement claim on fair use grounds. On first factor, court found facts were not sufficiently developed to determine whether defendant's use was transformative, noting there were nearly no allegations regarding plaintiff's purpose in taking photo and court could not determine defendant's purpose in posting photo as matter of law. On second factor, court found that it would need to make determination as to plaintiff's creativity, which was factual question for later time. Court also

found third factor determination premature, because court would need to compare amount of work used to purpose of copying work. On fourth factor, court agreed with plaintiff that discovery was necessary, and accordingly denied motion to dismiss on fair use grounds.

Philpot v. WOS, Inc., No. 18-339, 2019 U.S. Dist. LEXIS 67978 (W.D. Tex. Apr. 22, 2019)

Court found defendant not entitled to summary judgment on its fair use defense. Freelance photographer sued media company for copyright infringement and removal of copyright management information, alleging defendant posted photographer's photographs of musicians Lukas Nelson and Kenny Chesney without proper attribution as required under Creative Commons license. Defendant did not dispute that use of photos at issue infringed photographer's copyrights, but asserted fair use defense. Under first factor, court found defendant used photographs for commercial purpose, and reasonable jury could find that defendant's use of plaintiff's photos was not transformative. Under second factor, plaintiff's photos were creative in nature. Third, photos at issue were copied in entirety. First three factors weighed in favor of plaintiff's claims and against fair use. Court found that fourth factor (effect of use) initially weighed in plaintiff's favor due to defendant's commercial use of photos; however, defendant presented unrebutted evidence that no market existed for plaintiff's photos, which weighed in favor of fair use. Although fourth factor is often given most weight in fair use analysis, district court denied summary judgment, finding that first three factors prevented court from issuing judgment in favor of defendant.

Joe Hand Promotions, Inc. v. Acord, No. 18-1014, 2019 U.S. Dist. LEXIS 30315 (S.D. Ohio Feb. 26, 2019)

Court denied defendant's motion to dismiss. Plaintiff was granted exclusive national commercial distribution rights to *Floyd Mayweather vs. Conor McGregor Fight* ("Program"). Plaintiff sued defendant operator of restaurant and pub for copyright infringement for publicly performing Program without authorization. Defendant raised fair use defense on motion to dismiss. Though defendant did not dispute that use of Program was commercial in nature, defendant disputed market effect of use. Court found that defendant bore burden of proof to show that its alleged use of Program, "if duplicated by other establishments, would not have a sufficient effect upon the market for the Program to constitute infringement." Court found that plaintiff possessed exclusive right to distribute and/or authorize public performance of Program; that plaintiff expended substantial monies marketing, advertising, promoting, administering, and transmitting Program to its customers; and that plaintiff's customers were

commercial entities who entered into sublicensing agreements with plaintiff for limited rights to "publicly exhibit" Program at their respective commercial establishments. Court therefore found that plaintiff pleaded sufficient facts to demonstrate that defendant's alleged use of Program did not constitute fair use.

Peterman v. Republican Nat'l Comm., No. 17-66, 369 F. Supp. 3d 1053 (D. Mont. 2019)

Court granted defendant's motion for summary judgment based on fair use defense. Montana Democratic Party hired plaintiff to take photos at fundraiser for Democratic candidate. Photos were posted to campaign's Facebook page without copyright information or photographer attribution. Defendant, Republican National Committee, tweaked photos, including adding text and treble clef, and used tweaked versions in mailer criticizing same Democratic candidate. Plaintiff sued, claiming copyright infringement, and defendant moved for summary judgment that use was fair. Court found first and fourth factors weighed in favor of fair use, third factor weighed against fair use, and second factor was inconclusive. Court reasoned (1) use was transformative because, although minimal changes were made, overall clearly critical context of mailer created new expressive content; and use was noncommercial because mailer was political and did not solicit donations; (2) nature of work was both creative, as photo was more than snapshot of candidate at event, and functional, as photo was published on social media with hope of it being shared; (3) defendant copied original photo essentially in its entirety, making minimal changes, and could have made its point as effectively without using photo in mailer; and (4) use did not interfere with plaintiff's ability to profit from original photograph, notwithstanding any value lost due to criticism. On balance, court held that, because defendant's use was moderately transformative and wholly noncommercial, and photos in mailer performed different market function than original photos, factors supported finding of fair use.

B. Statute of Limitations

Wilson v. Dynatone Publ'g Co., 908 F.3d 843 (2d Cir. 2018)

Court denied defendants' petition for reconsideration of its decision vacating district court's grant of defendants' motion to dismiss for untimeliness. Defendants argued that plaintiff's suit for copyright infringement was untimely because under § 205(c) [which pertains to recordation, not registration] plaintiff's ownership claim accrued, and three-year statute of limitations was triggered, when defendants registered their claim with Copyright Office. Court rejected defendants' argument that registration, without more, triggers accrual of ownership claim. Since § 205 does not

state that ownership claims filed more than three years after adverse registration are untimely, nor that claim of ownership accrues upon adverse registration, court rejected defendants' argument that mere registration, without more, was enough to put reasonably diligent copyright owner on notice of adverse claim. Court found that defendants' interpretation of § 205 would impose on authors intolerable and unrealistic burden, and would open "fertile opportunities for thieves to steal copyrights by simply filing baseless registrations for previously created works."

Minden Pictures, Inc. v. Buzzfeed, Inc., No. 18-2438, 2019 U.S. Dist. LEXIS 29671 (S.D.N.Y. Feb. 21, 2019)

Court granted defendant's partial motion to dismiss infringement claim. Plaintiff, wildlife and nature photo licensing agency, sued digital media and news corporation Buzzfeed, alleging that Buzzfeed used 40 of plaintiff's nature photographs on its website without authorization. Buzzfeed filed partial motion to dismiss, arguing that its use of 24 photographs occurred more than three years prior to filing date of original complaint and, therefore, plaintiff's claim as to these 24 photos should be dismissed. In response, plaintiff argued that it did not discover alleged infringement until 2017 and 2018. Plaintiff provided no explanation for delayed discovery, and merely alleged that it had no reason to discover unauthorized use any sooner. Court agreed with Buzzfeed, citing Second Circuit's "discovery rule," under which claim accrues once copyright owner discovers, or with due diligence should have discovered, infringement, taking into account relative sophistication of owner. Here, court found that reasonable copyright holder in plaintiff's position, namely, seasoned litigator that had filed dozens of lawsuits based on copyright infringement starting as early as 2010, should have discovered Buzzfeed's use, through exercise of due diligence, within statutory period.

C. *Res Judicata/Collateral Estoppel*

Media Rights Techs., Inc. v. Microsoft Corp., No. 17-16509, 2019 U.S. App. LEXIS 13239 (9th Cir. May 2, 2019)

Ninth Circuit reversed district court's dismissal of infringement claims based on claim preclusion. In 2013, plaintiff sued Microsoft for patent infringement relating to technology designed to protect electronic files from content piracy. Plaintiff voluntarily dismissed suit following invalidation of patent at issue. Plaintiff later brought second suit against Microsoft, alleging copyright infringement, DMCA violation, and breach of contract, arguing defendant's software contained copy and/or was derivative work of plaintiff's software. Defendant successfully argued to district court that prior patent infringement suit precluded copyright suit under doctrine of

claim preclusion. Ninth Circuit agreed with district court that plaintiff's claims that had accrued at time of patent infringement lawsuit were barred by claim preclusion; however, plaintiff was not barred from asserting infringement claims that accrued *after* filing of patent infringement lawsuit. Appellate court noted that claim preclusion does not apply to claims that were not in existence and could not have been sued upon when allegedly preclusive action was initiated. Since statute of limitations runs separately for each violation of Copyright Act, new cause of action for infringement accrued each time Microsoft sold allegedly infringing product. Thus, allegedly infringing sales occurring after filing date of patent lawsuit arose subsequent to prior lawsuit and were not precluded. Microsoft also argued plaintiff was barred from bringing subsequent claims because plaintiff knew about nearly identical infringement before bringing patent infringement lawsuit, and because plaintiff had sought injunctive relief in patent infringement suit. Ninth Circuit held such facts did not preclude copyright infringement claims that accrued *after* filing of patent lawsuit. Claims that accrued *prior* to filing of patent lawsuit emerged from common nucleus of operative fact from patent suit – i.e., whether Microsoft unlawfully used plaintiff's software to create Microsoft software – and were therefore barred by claim preclusion.

Fischer v. Brushy Mt. Bee Farm, Inc., No. 17-94, 2019 U.S. Dist. LEXIS 30353 (S.D.N.Y. Feb. 26, 2019)

Magistrate judge recommended granting defendants' motion to dismiss. Plaintiff, creator of Fischer's Bee-Quick, substance used in beekeeping "to remove bees from honey supers without a harsh chemical smell," brought suit against defendants for infringement and DMCA violations. Defendant sold Bee-Quick to customers until 2011; plaintiff alleged that defendant thereafter created "knock-off" product, Natural Honey Harvester, and infringed its advertising text and product logo and label. Plaintiff brought prior actions in district against certain named defendants concerning same conduct; both actions were dismissed following defendants' motion for summary judgment. Court found all of plaintiff's claims barred by *res judicata*. There was prior final judgment on merits, parties were in both actions were in privity with one another, and claims were fully litigated in prior action. Fact that plaintiff "repackaged his claims slightly" was not material to court's ruling because *res judicata* bars claims that were or could have been raised in prior action. Court also found "new" claims barred because plaintiff did not allege facts to support them, other than those previously alleged in earlier action. Court also found that collateral estoppel barred plaintiff's claims. Issues in both proceedings were identical; issues were litigated and decided in earlier proceeding; party had

full and fair opportunity to litigate issue in earlier action; and resolution of issue was necessary to support valid and final judgment on merits.

Shanlian Quan v. Ty, Inc., No. 17-5683, 2019 U.S. Dist. LEXIS 45709 (N.D. Ill. Mar. 20, 2019)

Court denied defendant's motion for summary judgment. Plaintiffs, who designed and manufactured plush toys in China, brought copyright infringement claim against Ty, Inc. for contracting with different manufacturer to manufacture toys designed by plaintiffs. Ty moved for summary judgment on basis of equitable estoppel and abandonment. Ty argued that plaintiff was equitably estopped from claiming that Ty infringed copyrights because plaintiff affixed Ty's copyright notice to millions of toys it manufactured. Ty contended that it had no knowledge of plaintiffs' claimed intellectual property interests in toys, which plaintiffs admitted they did not disclose. Court held that equitable estoppel did not apply because "reasonable jury could find that the first sale doctrine protected Ty's distribution of the toys manufactured by [Plaintiffs] and that as a result there is a genuine dispute regarding whether Ty engaged in conduct constituting copyright infringement during the period in which [Plaintiffs] manufactured the toys."

Photographic Illustrators Corp. v. Orgill, Inc., No. 14-11818, 2019 U.S. Dist. LEXIS 58016 (D. Mass. Apr. 4, 2019)

District court granted defendant's summary judgment motion, holding that defendant did not exceed scope of its sublicense to use plaintiff's images, and thus did not commit copyright infringement. Plaintiff commercial photography company licensed photographs to Osram Sylvania Inc. ("OSI"), manufacturer and seller of lighting products. Defendant distributed OSI's products, and used and sublicensed certain of plaintiff's photographs in marketing.

Plaintiff's license with OSI granted OSI license to use and sublicense plaintiff's photos in OSI's sole and absolute discretion, except that OSI was required to properly attribute photographs to plaintiff or plaintiff's principal ("attribution requirement"). After plaintiff sued defendant for infringing plaintiff's copyrights in 34 photographs licensed to OSI by using and further sublicensing them, defendant and OSI executed retroactive confirmatory sublicense that confirmed that OSI previously granted defendant permission to use and sublicense plaintiff's photos. OSI and several other OSI distributors entered into arbitration, in which arbitrator held that plaintiff's agreement with OSI gave OSI right to sublicense plaintiff's images to OSI's distributors, and further, that attribution requirement was covenant rather than condition, meaning that violation of same would constitute breach of contract but would not render contract ineffective such

that OSI could be liable for infringement. Court held that, though plaintiff was precluded, under collateral estoppel (or issue preclusion) doctrine, from contesting arbitrator's holdings that OSI had authority to grant sublicenses to OSI's distributors and that attribution requirement was merely covenant, plaintiff could challenge whether defendant received implied sublicense from OSI as well as litigate scope of such sublicense. Issue preclusion doctrine provides that party cannot relitigate factual or legal issue adjudicated in earlier action if (1) same issue raised in both actions; (2) issue actually litigated in earlier action, (3) issue determined by valid and binding final judgment; and (4) determination of issue necessary to judgment, even if as intermediate finding. Defendant argued that defensive nonmutual issue preclusion permitted defendant, who was not party to earlier proceeding, to estop plaintiff from asserting claim plaintiff had previously litigated and lost against other defendants in arbitration. Court found that OSI's authority to grant sublicenses to OSI distributors was same in arbitration as in court case, even though defendant was not party to arbitration. Further, plaintiff and OSI actually litigated this issue, which resulted in final and binding judgment in form of arbitration award. Finally, validity of OSI's sublicenses was essential to arbitrator's conclusion that OSI's distributors did not infringe plaintiff's copyrights. Similarly, court held that arbitrator's holding that attribution requirement was covenant rather than condition was immune from plaintiff's challenge because this holding was central in arbitration and necessary for arbitrator's finding that OSI not liable for infringement.

D. First Sale Doctrine

Capitol Records, LLC v. ReDigi Inc., 910 F.3d 649 (2d Cir. 2018)

Second Circuit affirmed district court's holding that defendant's infringement of plaintiffs' exclusive right to reproduce phonorecords was not protected by first sale doctrine. Defendant ReDigi, formed with goal of providing lawful resale marketplace for digital music, created system that allegedly operated as follows: user who owned digital music file lawfully purchased through iTunes uploaded eligible file to ReDigi's remote server Cloud Locker by way of "data migration" process wherein file is broken up into constituent digital "packets" of data that, as they are transitorily copied into user's computer buffer, are deleted from permanent storage on user's computer device. ReDigi asserted that once all packets of eligible source file were transferred to Cloud Locker, file had been removed from user's device without ever existing in two places at once. Original user could continue to access file through Cloud Locker until it was sold, at which point new purchaser obtained exclusive access to file. Plaintiff record labels sued ReDigi and its principals, claiming that ReDigi's system infringed plaintiffs' copyrights by unauthorized reproduction and distribu-

tion of plaintiffs' copyrighted sound recordings. ReDigi argued that its actions were allowed under first sale doctrine. Under first sale doctrine codified in § 109(a), copyright owner's control over distribution of particular lawfully-made phonorecord terminates when phonorecord is distributed to first recipient; however, copyright owner's right of reproduction is not affected. Court held that user's device with original digital music file constituted phonorecord and, at each step of ReDigi's process, digital file was fixed in new material object (first ReDigi's Cloud Locker, then any subsequent purchaser's computer) for more than transitory period, which created new phonorecord and therefore constituted unlawful reproduction of copyrighted work. Because ReDigi's process involved making of unauthorized reproductions that infringed plaintiffs' exclusive reproduction right, and because ReDigi's use not excused by fair use or first sale doctrine, district court's finding of infringement was affirmed.

CENAPS Corp. v. Cmty. of Christ, No. 18-1276, 2019 U.S. Dist. LEXIS 31138 (M.D. Fla. Feb. 27, 2019)

Court granted in part and denied in part defendant's motion for judgment on pleadings as to plaintiff's copyright infringement claim. Plaintiff had granted defendant exclusive rights to copy and distribute certain books and works of authorship by Terence Gorski, internationally recognized expert on substance abuse and mental health. Plaintiff alleged that defendant continued to copy and distribute works after plaintiff sent letter to defendant terminating all publishing agreements. Defendant argued that termination was not valid, and that even if termination letter could terminate publishing agreements, first sale doctrine would allow it to sell copies of works published but not sold prior to termination date. Court found that, under state law, plaintiff's letter effectively terminated any agreements between parties as to specific works identified in letter. Court made no finding regarding whether defendant committed copyright infringement by selling off existing inventory. "Instead, the Court is merely finding that the first sale doctrine does not protect such conduct."

E. Misuse

Design Basics, LLC v. MTF Assocs., No. 17-31, 2019 U.S. Dist. LEXIS 53107 (M.D. Pa. Mar. 28, 2019)

Plaintiff, architectural designer, accused defendants of infringing plaintiff's copyrighted architectural works. Defendants filed answer but later sought to amend to add affirmative defense of copyright misuse. District court denied motion to amend. Motion to amend may be denied if movant's delay in seeking amendment is undue, motivated by bad faith, prejudicial to opposing party, or futile. Court found that motion was futile because it

failed to allege facts sufficient to state claim for copyright misuse. Misuse doctrine was established to avoid anticompetitive conduct that contravenes goal of copyright law to stimulate artistic creativity for general public good. Defendants argued that plaintiff engaged in such behavior by monetarily incentivizing its employees to find violations of plaintiff's copyrights in order to pursue litigation. Court concluded that defendants failed to allege facts suggesting that plaintiff's actions constituted anticompetitive behavior. First, plaintiff's copyright claim was unlikely to interfere with creative expression in significant way. Second, misuse defense fails "where plaintiff merely seeks to enforce its copyright, and nothing more." Defendants had alleged only that plaintiff was seeking to enforce its own copyrights. Motion to file amended answer was denied.

F. Miscellaneous

Craig v. UMG Recordings, Inc., No. 16-5439, 2019 U.S. Dist. LEXIS 53973 (S.D.N.Y. Mar. 29, 2019)

Plaintiff was "photographer who took a few good shots of the great musician Riley B. King, known as 'B.B. King.'" Photographer sued (1) record company, (2) estate of B.B. King, and (3) licensing company of B.B. King, alleging photographer's B.B. King photographs were used without permission in 43 albums, 29 of which were released abroad by foreign entities. Defendants moved for summary judgment. Record company argued that it could not be held liable for albums released outside U.S. by foreign entities because Copyright Act does not cover extraterritorial infringements. Court noted, however, that if defendant (1) commits predicate infringing act, such as unauthorized manufacture of copyrighted material, in U.S., and (2) act permits further reproduction abroad, defendant might be liable for related infringing acts occurring outside U.S. Court denied summary judgment with respect to foreign albums containing photo transmitted by record company, holding that unauthorized transfer of photo from United States to overseas company by employee of record company constituted predicate act under Copyright Act. Plaintiff failed to adduce any evidence to show that record company committed any predicate act with regard to 21 foreign albums. As to remaining foreign albums, however, evidence could support inference that record company, through its employee, committed predicate act in U.S. when employee transmitted unauthorized copy of one of photographs from within U.S. to UK affiliate to produce album. As matter of law, sending digital photograph to someone abroad "permits further reproduction abroad." Accordingly, reasonable jury could find that record company committed domestic infringement that enabled foreign affiliates to commit further infringements abroad, and record company could be liable for those further infringements. Defend-

ants' motion for summary judgment denied with respect to claims against record company related to eight foreign albums.

Zuma Press, Inc. v. Getty Images (US), Inc., No. 16-6110, 2019 U.S. Dist. LEXIS 12415 (S.D.N.Y. Jan. 24, 2019)

Plaintiff moved for reconsideration of court's summary judgment order, which held that plaintiff was equitably estopped from asserting copyright infringement claim, arguing that court overlooked key facts. Plaintiff, news organization, filed suit alleging that defendant Getty Images copied several of plaintiff's photographs, which plaintiff had commingled with another collection, NewSport, on defendant-affiliated website. Defendant raised affirmative defense of equitable estoppel, arguing that plaintiff knew NewSport collection would be labeled as source and licensor of images when plaintiff commingled photos and that, except for one unsuccessful attempt, plaintiff made no effort to retrieve its images. Court agreed, finding that, based on plaintiff's failure to remove its images from collection, defendant reasonably believed it had right to use and license all images acquired from NewSport collection. In motion for reconsideration, plaintiff argued that court overlooked email explaining plaintiff's failure to act, namely, that plaintiff believed defendant was in process of removing plaintiff's images from collection and that no further action was needed. Court agreed, finding that email raised issue of fact that, if proven, would negate second element of defendant's equitable estoppel defense. Accordingly, court granted plaintiff's motion to reconsider summary judgment order in favor of defendant.

Kaseberg v. Conaco, LLC, 360 F. Supp. 3d 1026 (S.D. Cal. 2018)

District court granted plaintiff's motion for judgment on pleadings as to defendants' fraud on Copyright Office and unclean hands defenses. In July 2015, plaintiff comedian sued defendants for allegedly featuring plaintiff's Tom Brady joke, among others, on *Conan* show without plaintiff's consent. Plaintiff's Tom Brady joke was initially published in February 2015 on plaintiff's Twitter page and, 13 minutes later, on plaintiff's blog. In September 2015, plaintiff applied to register his claim to copyright in Tom Brady joke based on publication in plaintiff's blog, and in July 2016 Copyright Office refused registration. In August 2016, plaintiff filed new application to register multiple works, including Tom Brady joke, without disclosing July 2016 refusal. In October 2016, plaintiff requested reconsideration of July 2016 refusal; in March 2017, Copyright Office again refused registration. In February 2017, defendants moved for summary judgment, arguing that plaintiff failed to produce, in discovery, evidence of copyright registration for Tom Brady joke. Plaintiff's opposition to motion attached copies of September 2015 and August 2016 applications. In May 2017,

ruling on defendants' motion, court held plaintiff's jokes entitled only to thin copyright protection. Later in May 2017, plaintiff, relying on court's holding, again requested reconsideration of July 2016 refusal of Tom Brady joke. In June 2017, Copyright Office registered August 2016 application and, in July 2017, September 2015 application, citing in relation to latter court's decision, and noting need to correct registration for August 2016 application to exclude separately registered Tom Brady joke. In April 2018, court granted defendants' motion to file amended answer alleging affirmative defenses of (1) fraud on Copyright Office based on plaintiff's failure to disclose July 2016 and March 2017 refusals of September 2015 application and initial Twitter publication, as well as mischaracterization of court's May 2017 order; and (2) unclean hands. After rejecting plaintiff's argument that fraud on Copyright Office can only be based on content in initial application, court held that plaintiff had no duty to disclose earlier rejections of September 2015 application or earlier (but on same date) Twitter publication in connection with plaintiff's August 2016 application; omissions thus did not rise to level of fraud. Plaintiff did not mischaracterize court's May 2017 holding because plaintiff simply explicitly stated implicit prerequisite for court's holding, and also attached copy of full order. Because court found no fraud on Copyright Office, defendants' unclean hands defense could be based only on plaintiff's discovery misconduct, which must be remedied under Fed. R. Civ. P. 37. Court therefore granted plaintiff's motion for judgment on pleadings for both fraud and unclean hands affirmative defenses.

Korman v. Iglesias, No. 18-21028, 2018 U.S. Dist. LEXIS 109297 (S.D. Fla. June 28, 2018)

Plaintiff brought claims under Copyright Act and Florida Deceptive and Unfair Trade Practices Act ("FDUTPA") against defendant Julio Iglesias. Plaintiff alleged that she was sole author of lyrics of song "Me Olvide De Vivir," which defendant released, reproduced, distributed and published many times without plaintiff's authorization. Defendant moved to dismiss infringement claim based on *res judicata* and collateral estoppel, because parties had already twice litigated dispute, both in federal court and state court. Defendant also moved to dismiss plaintiff's FDUTPA claim as preempted. Court took judicial notice of four documents involved in prior proceedings, in which plaintiff had taken position that she was co-author of song with defendant. Court held that plaintiff was judicially estopped from asserting she was *sole* author of song, because she made prior inconsistent statements with courts that she was co-author; that judicial acceptance of later position would create "the perception that either the first or the second court was misled"; and that plaintiff would "derive an unfair advantage or impose an unfair detriment on the opposing party if not es-

topped." Court recognized that if plaintiff corrected her inconsistent statement by amending her pleading to assert she was co-author, she would no longer have plausible copyright infringement claim. Court stated, "No matter what factual allegations Plaintiff attempts to assert, she simply cannot state a plausible claim for relief under the Copyright Act." Accordingly, court granted defendant's motion to dismiss federal copyright claim and allowed plaintiff to amend her FDUTPA claim to include facts that would qualitatively support state law claim.

Harrington v. Aerogelic Ballooning, LLC, No. 18-2023, 2018 U.S. Dist. LEXIS 201866 (D. Colo. Nov. 29, 2018)

Court denied defendants' motion for summary judgment. Plaintiff, commercial photographer, alleged copyright infringement based on defendants' unauthorized use of plaintiff's copyrighted image of hot air balloons to promote defendants' business. District court denied defendants' summary judgment motion, noting instead its inclination to enter summary judgment in favor of plaintiff on infringement claim, subject only to amount of statutory damages to be imposed. Court found frivolous and utterly irrelevant defendants' contentions that (1) photographs "similar" to plaintiff's image existed, (2) plaintiff's image was available for "free," and (3) plaintiff "set them up" to commit infringement. Court found it inappropriate to entertain defendants' contentions concerning statutory damages without significant evidentiary presentation from parties.

FurnitureDealer.Net, Inc. v. Amazon.com, Inc., No. 18-232, 2019 U.S. Dist. LEXIS 41580 (D. Minn. Mar. 14, 2019)

Court denied defendant's motion to dismiss plaintiff's copyright infringement claims under merger doctrine. Plaintiff furniture marketing company contracted with defendant Coaster Company of America to create website to market Coaster's products, which included copyrighted descriptions that contained search-engine-optimized text. Plaintiff noticed that copyrighted material it created for Coaster began appearing on Amazon.com's URLs, and brought suit for copyright infringement. Coaster argued that search-engine-optimized ("SEO") text was not copyrightable subject matter, and that merger doctrine prohibited protection of subject work. Court found merger did not apply because ideas behind descriptive SEO text could be expressed in many other ways. Court further found descriptive SEO text to be sufficiently creative and original to be entitled to copyright protection.

Flack v. Citizens Mem'l Hosp., No. 18-3236, 2019 U.S. Dist. LEXIS 36327 (W.D. Mo. Mar. 7, 2019)

Court granted defendant's motion to dismiss. Plaintiff, creator of personal safety material, claimed defendant hospital used copyrighted materials in products it manufactured and marketed without plaintiff's permission. Defendant argued that plaintiff's claims for copyright infringement failed because defendant was entitled to sovereign immunity "as a political subdivision of the state" and public entity. Court noted that although Copyright Remedy Clarification Act (CRCA) waives state's sovereign immunity for copyright claims, neither Supreme Court nor Eighth Circuit had determined whether Congress had valid power to abrogate state sovereign immunity under CRCA. Court found weight of cases led it to find plaintiff's claims barred by sovereign immunity, and granted defendant's motion to dismiss.

Bell v. Startup Prod., LLC, No. 18-02, 2018 U.S. Dist. LEXIS 197703 (E.D. Ky. Nov. 20, 2018)

Plaintiff photographer brought infringement claim against defendants, contending that defendant Startup Productions had posted his photograph of Indianapolis skyline on defendant Upscale Furniture's website for advertising purposes. Defendants asserted that plaintiff was judicially estopped from asserting ownership because he did not list copyright as asset in his prior divorce proceeding. Court relied on three considerations identified by Supreme Court as relevant in determining whether to apply judicial estoppel: (1) "a party's later position must be clearly consistent with its earlier position"; (2) "whether the party has succeeded in persuading a court to accept that party's earlier position, so that judicial acceptance of an inconsistent position in a later proceedings would create the perception that either the first or the second court was misled"; and (3) "whether the party seeking to assert an inconsistent position would derive an unfair advantage or impose an unfair detriment on the opposing party if not estopped." Where prior inconsistent position occurred because of "mistake or inadvertence," judicial estoppel does not apply. Here court found that plaintiff's omission of his copyright as asset in divorce proceedings was due to mistake or inadvertence, and that judicial estoppel was not applicable. Court held that, assuming *arguendo* that prior omission was not due to mistake or inadvertence, defendants still failed to show that three considerations for establishing judicial estoppel had been met. With respect to first consideration, plaintiff's silence regarding copyright in divorce proceeding was not explicitly contrary to his claim of ownership in this case, because he was unaware that he had obligation to declare ownership of copyright at time. Second, there would be no perception that Indiana state court, where divorce proceeding took place, or district court was

deceived, because plaintiff did not explicitly deny ownership of copyright during divorce proceeding. Finally, plaintiff would not obtain unfair advantage by asserting ownership of copyright in photograph, because defendants still had chance to refute his claim of ownership.

Defendants, accordingly, did not successfully establish three considerations for estoppel, and court granted plaintiff's motion for summary judgment with respect to copyright ownership.

Oliver v. Johanson, No. 17-5129, 2018 U.S. Dist. LEXIS 198484 (W.D. Ark. Nov. 21, 2018)

Defendants Bruce and Blair Johanson utilized methodology – Job Evaluation and Salary Administration Program (JESAP), developed by their father – for companies to set up compensation structure for employees. Brothers later elected to computerize methodology for efficiency. Plaintiff computer programmer agreed to aid brothers in creating software, and three went into business as DB Squared to commercialize effort. In 2006, additional developer, Devine, was hired to help with software development. In 2008, plaintiff filed application to register software with Copyright Office in capacity as DB Squared Officer. Because he stated that he alone was author, Office noted inconsistency with application on behalf of Company, and plaintiff later responded that software was work for hire for DB Squared. After registration of JESAP 2008, new versions of software were created and software renamed DBCompensation. In 2016, plaintiff resigned from DB Squared, and later asserted sole ownership of DBCompensation software. In 2017, plaintiff submitted application to Copyright Office for DBCompensation software, claiming he was author and that work was not made for hire. Application matured into registration that year. Relevant claims determined by bench trial were parties' warring claims of authorship of works and infringement. Although court determined that plaintiff co-owned DBCompensation 10 software programs, and even assuming Copyright Office would not have found that plaintiff's misrepresentations and omissions would have yielded refusal to register DB Compensation, court found plaintiff was equitably estopped from maintaining infringement action against DB Squared for use of DB Compensation software. Applying Fifth Circuit factors, court found equitable estoppel applied – (1) plaintiff knew of DB Squared's allegedly infringing actions, as he registered JESAP 2008, thereafter worked for company and inserted copyright notices in code in favor of company, and never demanded that DB Squared stop using software; (2) plaintiff's actions during relationship with DB Squared would have indicated to DB Squared that plaintiff intended them to keep using DB Compensation 10 software; (3) DB Squared and defendant brothers did not know true facts; and (4) DB Squared relied on plaintiff's behavior to its detriment. In sum, court found

"that this is a classic case where equitable estoppel should apply to prevent [plaintiff] from prevailing against DB Squared or the [defendant brothers] on his claim of copyright infringement." Because of this and because court found defendant impliedly licensed defendants to keep using software, court found plaintiff's infringement claim should be dismissed.

VII. REMEDIES

A. Damages and Profits

Williams v. Gaye, 895 F.3d 1106 (9th Cir. 2018)

Ninth Circuit upheld jury verdict, holding that damages award was not based on undue speculation. Heirs of Marvin Gaye sued Robin Thicke, Pharrell Williams and two others, alleging that Thicke parties' song "Blurred Lines" infringed copyright in Gaye song "Got to Give It Up." After jury verdict against them, Thicke parties moved to reverse or vacate jury's damages award and district court's imposition of running royalty. Ninth Circuit found jury's actual damages award not unduly speculative because based on testimony of industry expert with 20+ years of experience that market value of license for use of "Got to Give It Up" snippets in "Blurred Lines" was 50% of publishing revenues. Further, district court's imposition of running royalty of 50% was not abuse of discretion because based on industry expert's testimony.

Smith v. Thomas, 911 F.3d 378 (6th Cir. 2018)

Sixth Circuit affirmed district court's award to plaintiff Robert Smith, aka Bigg Robb, of $30,000 in statutory damages based on unlicensed sampling by defendant Bernard Thomas, pka Bishop Bullwinkle, of plaintiff's song "Looking for a Country Girl" as beat for defendant's song "Hell 2 Da Naw Naw," which became viral video. Defendant appealed, seeking to vacate damages award on grounds that plaintiff "did not formally elect statutory damages before final judgment." Court rejected defendant's "overly-proceduralized interpretation of the Copyright Act," noting that § 504(c)(1) does not suggest any formality or particularity requirement for making statutory damages election. Instead, plaintiff must simply inform court of his intent to seek such damages at any point before final judgment. In this case, plaintiff's intent to seek statutory damages "was no mystery" where he made multiple statements to court, both in writing and in person, concerning statutory maximum and willful nature of infringement, which, court noted, are only relevant to statutory damages. Plaintiff was not required to cite statutory damages provision itself. Even if plaintiff also presented evidence of actual damages, he did not implicitly disclaim statutory damages because plaintiff was permitted to simultaneously seek actual damages and statutory damages in alternative.

Davidson v. United States, No. 13-942C, 2018 U.S. Claims LEXIS 801 (Fed. Cl. June 29, 2018)

Plaintiff brought copyright infringement suit against United States, acting through United States Postal Service ("USPS"), stemming from USPS's use of photograph of plaintiff's replica Statute of Liberty. Plaintiff was commissioned to sculpt replica of Statute of Liberty at New York-New York Hotel in Las Vegas in 1996. In 2010, USPS purchased photo of plaintiff's Lady Liberty sculptor from Getty Images to be used on USPS's new workhorse Forever Stamp. Plaintiff discovered use of his sculpture by USPS and commenced instant action. During bench trial, testimony was introduced that USPS wanted to exploit breakage and retention of Lady Liberty stamp, which are stamps that are purchased and never redeemed, amounting to pure profit for USPS. In bench trial, court held defendant infringed on plaintiff's work, which entitled plaintiff to compensation. Court found proper framework for determining damages was fair market value of license for use of plaintiff's work as used by defendant. Both sides presented expert testimony of value of hypothetical license for plaintiff's work. Plaintiff's expert determined plaintiff's work would have generated running royalty rate of 5% for stamps not redeemed. Defendant's expert valued hypothetical license at $10,000, since plaintiff had no history of making commercial use of his work. Court held that damages must be determined by assuming willing buyer and willing seller and concluded flat fee should be used for redeemed stamps and running royalty for unredeemed stamps. Based on USPS's history and financial loss associated with each redeemed stamp, court held $5,000 was appropriate flat fee for redeemed stamps and 5% fee for unredeemed stamps. After applying breakage and retention rates, court found 5% equaled $3,548,470.95. Court added $5,000 flat fee and held plaintiff was entitled to $3,554,946.95 in total unadjusted damages.

Minden Pictures, Inc. v. Buzzfeed, Inc., No. 18-2438, 2019 U.S. Dist. LEXIS 29671 (S.D.N.Y. Feb. 21, 2019)

Court granted defendant's partial motion to dismiss copyright infringement claim. Plaintiff, wildlife and nature photo licensing agency, sued digital media and news corporation Buzzfeed, alleging that Buzzfeed used 40 of plaintiff's nature photographs on its website without authorization. Court dismissed plaintiff's claim as to 24 photos, holding that plaintiff was barred by three-year statute of limitations, leaving only 16 photos, which were registered either alone or in groups as collective works. Defendant argued in its motion that plaintiff was entitled to only one award of statutory damages per copyright registration. Court agreed, reasoning that, where plaintiff chose to assemble photos into collective whole and to seek registration for collection and not parts, it can be inferred that plaintiff

viewed collection as one work. Copyright Act allows only one award of statutory damages for any work infringed, and states that "all the parts of a compilation . . . constitute one work." Therefore, court found plaintiff was limited to one award of statutory damages per collective work registration, regardless of how many photos were covered by registration. Court found that plaintiff did not adequately allege willful infringement, given that plaintiff provided no support other than allegation on information and belief that defendant "committed copyright infringement with actual or constructive knowledge of Plaintiff's rights, or reckless disregard for the same."

Whitehead v. Mix Unit, LLC, No. 17-9476, 2019 U.S. Dist. LEXIS 15560 (S.D.N.Y. Jan. 31, 2019)

Magistrate judge recommended award of statutory damages to plaintiff stemming from defendant's infringing use of plaintiff's design on t-shirts. Plaintiff, professional artist, created and registered "Bed-Stuy Do or Die" design, which defendant reproduced and sold on t-shirts without plaintiff's permission. Plaintiff commenced action, and defendant defaulted. Plaintiff requested $30,000 in statutory damages. To determine amount of statutory damages court must consider "(1) the infringer's state of mind; (2) the expenses saved, and profits earned, by the infringer; (3) the revenue lost by the copyright holder; (4) the deterrent effect on the infringer and third parties; (5) the infringer's cooperation in providing evidence concerning the value of the infringing material; and (6) the conduct and attitude of the parties." Due to defendant's default, court considered only defendant's conduct and need for deterrence, and awarded $25,000 instead of requested $30,000 statutory damages in light of plaintiff's failure to demonstrate that infringing conduct continued despite defendant receiving notice to end infringing activity.

Craig v. UMG Recordings, Inc., No. 16-5439, 2019 U.S. Dist. LEXIS 53973 (S.D.N.Y. Mar. 29, 2019)

Plaintiff was "photographer who took a few good shots of the great musician Riley B. King, known as 'B.B. King.'" Plaintiff sued (1) record company, (2) estate of B.B. King, and (3) licensing company of B.B. King, alleging photographer's B.B. King photographs were used without permission in several albums, many of which were released abroad by foreign entities. Defendants moved for summary judgment on damages under multiple theories. District court determined that factual dispute existed regarding actual damages and infringers' profits; parties disputed whether photographs at issue and defendants' album sales were reasonably related. Court found that evidence was sufficient to lead reasonable jury to conclude that record company's revenues from selling albums were reasona-

bly related to allegedly infringing photographs. Summary judgment on compensatory damages was therefore denied. With respect to statutory damages, court noted that S.D.N.Y. applies bright-line rule in cases, such as instant case, where first act of infringement in series of ongoing infringements occurred prior to work's copyright registration. When same defendant infringes same protected work in same manner as it did prior to work's registration, post-registration infringement constitutes continuation of series of ongoing infringements. Record company was entitled to summary judgment on claims for statutory damages and attorneys' fees because alleged infringement commenced prior to plaintiff registering copyright in photographs.

Downs v. Yeshiva World News, LLC, No. 18-250, 2019 U.S. Dist. LEXIS 17751 (E.D.N.Y. Feb. 1, 2019)

Plaintiff brought copyright infringement suit against defendant, online news publisher, alleging that defendant published two of plaintiff's copyrighted photographs on its website without authorization or credit. Upon defendant's default, court granted plaintiff's motion for default judgment. Court found plaintiff's request for $30,000 per infringed work – maximum statutory damages award available for non-willful infringement – was excessive because plaintiff adduced no evidence that he suffered any actual damages or that defendant enjoyed any benefit as result of infringement. While defendant's default deprived plaintiff of discovery, there was no reason plaintiff could not "prove the harms he sustained, if any." Given that record included no evidence distinguishing current case from one in which "minimum statutory award would be justified solely by virtue of fact of infringement," court held that minimum statutory damages award of $750 per work infringed was reasonable.

Elsevier Inc. v. Stew Yee Chew, No. 17-6225, 2019 U.S. Dist. LEXIS 196 (S.D.N.Y. Jan. 2, 2019)

Plaintiff publishers initiated action against 16 counterfeiters, none of whom responded to complaint. Plaintiffs sought default judgment for statutory damages. Plaintiffs sought maximum statutory damages for willful infringement for all but two defendants, for whom they sought statutory damages of $30,000 per copyright infringed. Court found defendants were willful, substantially profited from infringement, and failed to cooperate by providing evidence of value of infringing material and original source of counterfeits; those factors, along with defendants' overall conduct and attitude, and plaintiffs' lost revenue, weighed in favor of high damage awards. Court awarded $100,000 per work infringed for all defendants but two, for whom court awarded $25,000 per work infringed.

John Wiley & Sons, Inc. v. Book Dog Books, LLC, 327 F. Supp. 3d 606 (S.D.N.Y. 2018)

On defendants' post-trial *remittitur* motion, district court upheld jury's statutory damages award as reasonable given overwhelming evidence that defendants willfully infringed plaintiffs' copyrights. Plaintiff textbook publishers sued defendants, used book sellers, for copyright infringement, claiming defendants knowingly and recklessly sold counterfeit textbooks despite earlier settlement agreement with plaintiffs. Plaintiffs presented evidence that defendants purchased books from known counterfeiters, failed to keep accurate records, destroyed some potentially infringing textbooks and had sold and continued to sell counterfeit textbooks. Jury awarded plaintiffs $100,000 for each of their 142 copyright claims. Defendants sought *remittitur* on grounds that jury's award was disproportionate to defendants' profits or plaintiffs' losses, was inconsistent with trial evidence, and was so oppressive as to violate due process. District court noted that statutory damages are meant not only to compensate but also to deter. Given extensive evidence that defendants' conduct was willful, it was reasonable for jury to determine that only large award would effectively deter defendants; therefore, jury's award was not severe and oppressive enough to be obviously unreasonable.

Freeplay Music, LLC v. Nian Infosolutions Private Ltd., No. 16-5883, 2018 U.S. Dist. LEXIS 115659 (S.D.N.Y. July 10, 2018)

Magistrate judge recommended that district court enter default judgment in plaintiff's favor and award plaintiff statutory damages. Online music library Freeplay sued Nian, commercial website providing information about Indian films (including New York and California screenings thereof), for willfully infringing, in 379 YouTube videos, Freeplay's copyrights in 115 musical sound recordings found in 37 registered works. Magistrate found that Freeplay had alleged ownership of exclusive rights to valid, registered copyrights, and further shown that Nian copied and publicly performed works without prior authorization and for commercial purpose. Award of $1.1 million, or $30,000 per infringed work (maximum amount where defendant not found to have acted willfully), appropriate because it was less than four times amount that Nian saved annually by infringing Freeplay's copyrights, reasonable multiple to put infringers on notice that it costs less to obey copyright laws than to violate them. Magistrate judge recommended entry of default judgment and award of $1.1 million in statutory damages to Freeplay.

Renna v. Queens Ledger/Greenpoint Star, Inc., No. 17-3378, 2019 U.S. Dist. LEXIS 24452 (E.D.N.Y. Feb. 13, 2019)

Magistrate recommended that default judgment as to liability be entered against defendant. Plaintiff photojournalist was author of three photographs showing scene of car accident where two people were arrested. Plaintiff published works online through Facebook, and defendant, without authorization, featured plaintiff's works in connection with article on its website. Plaintiff moved for default judgment. As to liability, court found plaintiff identified his works, which possessed requisite amount of originality, and even though plaintiff failed to submit registration certificates, court found plaintiff's allegations of registration sufficient. Court also found sufficient plaintiff's allegations regarding defendant's infringing conduct, and recommended that defendant be held liable for infringement. As to damages, court noted that plaintiff sought actual damages of $30,000 rather than statutory damages, because plaintiff did not timely register his works. However, plaintiff failed to submit evidence to support $30,000 claim. Magistrate recommended that plaintiff's request for damages be denied without prejudice and with leave to renew, with evidence showing basis for $30,000 claim.

Marshall v. Babbs, No. 18-3822, 2019 U.S. Dist. LEXIS 62061 (C.D. Cal. 2019)

Plaintiff, professionally known as Kerry 2Smooth, was author of composition and sound recording titled "RnB Chord and Riff ideas to Help Your Playing." Plaintiff first published work on October 17, 2014 and registered work on December 14, 2017. On September 29, 2017, one of defendants released musical work titled "Only One" performed by Durell Babbs, p/k/a Tank, which plaintiff alleged "features identical portions" of plaintiff's work; after plaintiff brought suit, on June 19, 2018, Tank published Instagram video, using 60 seconds of "Only One," which contained "substantial copied portions" of plaintiff's work. Defendants moved for partial summary judgment on issue of statutory damages and attorneys' fees. Plaintiff argued that Instagram video was separate basis for award of statutory damages and fees "because there is a difference between the pre- and postregistration infringements"; court, however, found, for purposes of § 412(2), that there was no such difference, and that Instragram video was continuation of infringement that began on September 29, 2017. Court granted motion to dismiss claims for statutory damages and attorneys' fees and denied leave to amend to conduct discovery concerning Instagram video, finding amendment would be futile.

Terry v. Masterpiece Advert. Design, No. 17-8240, 2018 U.S. Dist. LEXIS 104467 (S.D.N.Y. June 21, 2018)

Plaintiff photographer sued defendant Masterpiece Advertising Design for allegedly infringing plaintiff's copyright in photo of Levoy Theater in Millville, New Jersey by using photo without consent or license in advertisement for Cape Bank in South Jersey. Defendant did not respond to complaint. Plaintiff moved for default judgment and $20,000 in actual damages, arguing that damage inquest was unnecessary because "Defendant's choice to ignore these proceedings should be construed against it in order to avoid a lengthy and intensive inquiry into damages." Court reminded plaintiff's attorney that damages need evidentiary basis, and required refiled motion to include "all evidence necessary to support the amount of actual damages being claimed." Plaintiff filed renewed motion for default judgment, this time including declaration from plaintiff setting forth purported bases of $20,000 request. Court did not credit declaration, and instead used Getty Images pricing utility to determine reasonable license fee, concluding that price on which willing buyer and willing seller would have agreed for use made by infringer was $1,560.

McGucken v. Chive Media Grp., LLC, No. 18-1612, 2018 U.S. Dist. LEXIS 191513 (C.D. Cal. Nov. 8, 2018)

Plaintiff photographer was owner of 94 photographs at issue in suit. Plaintiff alleged defendant published works and hosted posts that included works. After plaintiff filed complaint, defendant moved to dismiss, and court granted motion with leave to amend as to contributory/vicarious infringement claim and claim for statutory damages and attorneys' fees. Defendant again moved to dismiss plaintiff's claim for statutory damages and fees. Court rejected plaintiff's argument that motion was premature. Court also found that for 93 of 94 works at issue, plaintiff failed to plead facts concerning date infringement began, date work was registered, and date of first publication. Accordingly, court granted motion to dismiss claim for statutory damages and attorneys' fees on 93 of works. Only registration date pleaded related to one work registered on February 20, 2018 that defendant allegedly infringed on June 11, 2018. Plaintiff, however, did not plead date of first publication, which alone was fatal to claim for statutory damages and attorneys' fees. Additionally, court found that URLs showed that many acts of infringement occurred before plaintiff registered work. Court agreed with defendant that infringement was continuous and went back to at least 2013, rejecting plaintiff's argument that gap of time of over four years between last post of work and June 11, 2018 made infringement not continuous. Court granted motion without leave to amend, as plaintiff did not remedy pleading defects in first amended complaint.

South Seas Pictures Ltd. v. Ken's Island Food, No. 18-887, 2018 U.S. Dist. LEXIS 132967 (C.D. Cal. Aug. 6, 2018)

Plaintiff film company brought copyright infringement claim against six defendants, alleging that defendants "marketed and sold unauthorized counterfeit copies" of plaintiff's film *Matai the Chief: Part 6* in their retail stores. Plaintiff's counsel sent cease-and-desist letters to which defendants never responded. Defendants were all served but did not respond to complaint. Court granted default judgment, and plaintiff requested statutory damages. Court found plaintiff's allegations of willful infringement to be conclusory, and not supported by facts warranting statutory award of $150,000. "Modest costs" associated with production of 500 units of film, and anticipated sales targets, led court to believe award of statutory maximum of $30,000 without willfulness finding would be excessive. "Instead, a statutory award of $3,000 per violation per Defendant, will serve the purposes of statutory damages – to compensate South Seas, and punish Defendants."

Glynn v. Cigar Store, Inc., No. 18-31, 2018 U.S. Dist. LEXIS 107677 (N.D. Cal. June 27, 2018)

Plaintiff photographer brought claims against defendant for copyright infringement and removal of copyright management information pursuant to DMCA. Plaintiff alleged that defendant used plaintiff's photograph of cigar on its website, through which it sells cigars, and removed CMI from photograph. Though defendant removed photograph after receipt of cease-and-desist letter from plaintiff, it did not agree to compensate plaintiff. Plaintiff brought suit and moved for default judgment after defendant failed to respond. Plaintiff was barred from recovering statutory damages under Copyright Act because photograph was not registered prior to commencement of infringement. Plaintiff sought maximum statutory damages award of $25,000 under DMCA § 1203(c)(3)(B). Court, noting that plaintiff had not shown what damages, if any, he incurred as result of defendant's removal of CMI, found requested sum of $25,000 excessive; considering violation alleged, namely, removal of CMI from single image, as well as limited nature of defendant's use of image and voluntary cessation of use, court found award of $3,500 appropriate.

GC2 Inc. v. Int'l Game Tech., No. 16-8784, 2018 U.S. Dist. LEXIS 192606 (N.D. Ill. Nov. 12, 2018)

Court granted defendants' motion for summary judgment. Plaintiff, creator of artwork for casino slot machine games, sued defendants, producers and sellers of games used in casinos and by online casinos, and sellers of software for digital casino games, for copyright infringement, alleging that

defendants used plaintiff's artwork without plaintiff's permission. Plaintiff contended that defendants were engaged in partnership as online casino operators, and therefore that it was entitled to seek from each defendant profits generated by other defendants. Defendants sought to limit plaintiff's recovery of profits from each defendant to only defendant's own profits. General rule in copyright infringement cases is that liability for damages is joint and several, but liability for profits is several, not joint. Court found that there was no partnership among defendants because no evidence that defendants shared profits or losses, or had any joint control over business activities. Court found that working together on computer code, developing marketing materials, and jointly seeking approval from regulatory authorities were insufficient evidence to prove partnership, and thus joint recovery of profits under Copyright Act.

Design Idea, Ltd. v. Meijer, Inc., No. 15-3093, 2018 U.S. Dist. LEXIS 122753 (C.D. Ill. Jul. 23, 2018)

Plaintiff created, manufactured and distributed SPARROWCLIPs, clothespins containing bird design. Defendant Meijer ordered SPARROWCLIPs from plaintiff and directed defendant Whitmore to produce copies of works. Whitmore sent set of SPARROWCLIPs to Chinese manufacturer, and asked if it had mold for works; manufacturer had mold producing exact duplicates of SPARROWCLIPs, which it used to manufacture clips shipped to Japan and not to U.S. Whitmore instructed manufacturer to recreate color of plaintiff's works, and imported and sold its CANARY CLIPS into U.S. Plaintiff brought claims for copyright infringement, violations of DMCA and breach of contract. Court previously granted plaintiff partial summary judgment on copyright claim, and defendants moved for summary judgment limiting plaintiff's recovery to their profits, totaling less than $15,000. Plaintiff claimed greater of defendant's profits or its losses, and submitted evidence that defendant Meijer followed through with threat that Meijer would not do business with plaintiff; plaintiff claimed two years of profits on non-SPARROWCLIP products, approximating $500,000. While noting damages theory was unique, court allowed plaintiff to pursue theory as trier of fact could determine whether actual damages included lost business with Meijer.

Grant Heilman Photography, Inc. v. McGraw-Hill Global Education Holdings, LLC, No. 17-694, 2018 U. S. Dist. LEXIS 108003 (E.D. Pa. June 28, 2018)

District court granted defendant's motion for partial summary judgment that plaintiff was not entitled to statutory damages, finding defendant's pre- and post-registration unauthorized use constituted continuous series of ongoing infringements. In 2012, plaintiff sued defendant for infringe-

ment, alleging unauthorized use of numerous photos owned by plaintiff. In 2012 action, district court found plaintiff precluded from seeking statutory damages because infringement commenced prior to registration of subject photos. Parties thereafter resolved 2012 action by entering into settlement agreement. Defendant subsequently disclosed that it inadvertently continued to infringe plaintiff's copyrights, resulting in plaintiff filing instant action. Plaintiff again sought statutory damages, arguing that defendant's post-registration infringement should be considered new and distinct because settlement agreement provided "legally significant" break in continuity of defendant's infringing acts. Court declined to interject new rule that existence of settlement creates "discontinuity" in series of otherwise continuous copyright infringements. Plaintiff had presented no evidence creating genuine issue of material fact regarding whether defendant's later infringements were of "same kind" as earlier infringements.

Sanrio Co. v. Sommer's Ent. LLC, No. 18-22177, 2019 U.S. Dist. LEXIS 48141 (S.D. Fla. Mar. 20, 2019)

District court awarded statutory damages of $50,000 for each of plaintiffs' two protected characters. Plaintiffs Sanrio manufactured, sold and provided wide range of goods and services that incorporated Sanrio's protected characters, including Hello Kitty and Dear Daniel. Defendants provided and advertised online live entertainment services featuring costumes and decorations copying or incorporating Sanrio's Hello Kitty and Dear Daniel characters. Sanrio sent defendants four demand letters, but defendants continued to unlawfully copy Sanrio's works in defendants' services. Because defendants failed to respond to Sanrio's complaint, district court entered default judgment in favor of Sanrio. District court then held that each of Sanrio's characters stood as independent work with substantial economic value, and so should be considered separate work for purpose of statutory damages. Because defendants had both constructive and actual knowledge of Sanrio's rights in light of Sanrio's multiple demand letters and lawsuit, yet still used unauthorized reproductions of Sanrio's copyrights in providing and advertising defendants' services, district court held that $50,000 per character, for total of $100,000, was reasonable award against each of two defendants, for total award of $200,000.

Johnson v. New Destiny Christian Ctr. Church, Inc., 318 F. Supp. 3d 1328 (M.D. Fla. July 30, 2018)

District court granted plaintiff $1,207.93 in economic damages, $12,500 in non-economic damages, and denied plaintiff's request for punitive damages in connection with plaintiff's claim of malicious prosecution. Defendant Paula White Ministries in prior lawsuit brought claim of copyright infringement against plaintiff stemming from plaintiff's unauthorized use

of video clips of defendant's church sermons on plaintiff's YouTube channel. Defendant ultimately decided not to pursue matter further, and dismissed copyright infringement action. Plaintiff then initiated instant action claiming prior copyright infringement action was brought with malice and evil motive. In support of this allegation, plaintiff presented evidence of defendant's sermon, which plaintiff believed referenced and portrayed her in negative light. Court entered default judgment against defendants, and parties agreed to $1,207.93 in economic damages. In determining non-economic damages, court found plaintiff to be credible as to suffering from diminished sleep and overall concern related to copyright infringement action, as plaintiff, unfamiliar with legal process, unknowingly feared criminal liability. Court, accordingly, awarded $12,500 in non-economic damage. Court denied plaintiff's request for punitive damages finding defendant had good faith basis to assert claim of infringement in connection with plaintiff's use of defendant's video sermons, which outweighed any ill will that may have compelled defendant to file infringement action.

Brittney Gobble Photography v. Wenn Ltd., No. 16-306, 2019 U.S. Dist. LEXIS 39414 (E.D. Tenn. Feb. 19, 2019)

Johnny and Brittney Gobble were involved in Lykoi cat – also known as "werewolf cat" – breeding. Brittney Gobble was photographer of Lykoi cat works. Plaintiff was owner of rights to Brittney Gobble's registered works, including 54 of 55 pleaded works. Plaintiff alleged that individual emailed Gobbles on behalf of defendants asking for images of Lykoi cats to use with article. Johnny Gobble responded, providing permission for some images, but made clear that he did not give permission to distribute works, and that credit should be given to Brittney Gobble. Plaintiff alleged that defendants distributed works to at least one customer, with false credit given to WENN or WENN.com rather than Brittney Gobble. Plaintiffs brought suit for direct and contributory infringement and provision of false CMI. Plaintiff moved for default judgment, damages, and injunction. Because defendants did not substitute counsel and had not participated in litigation, court recommended that default judgment be entered. Plaintiff presented expert report on actual damages containing analysis whereby expert obtained quotes for licenses from three stock photo agencies using generic cat photographs. Court determined that calculation of $1,918,313.96 as base actual damages was reasonable. Plaintiff also requested 3-5X multiplier to account for fact that works were scarce. Court agreed that 3X multiplier was appropriate to account for scarcity of works, and therefore recommended $5,754,941.88 in damages. Finally, court recommended issuance of permanent injunction: it found that infringement gave rise to presumption of irreparable injury that defendants did not re-

but; that balance of hardships favored plaintiff because injunction would cause no harm to defendants; and that public interest was served through issuance of injunction. Although there was no evidence that defendants were continuing infringement, court found plaintiff had no adequate remedy at law because there was potential for future infringement.

Sony/ATV Music Publ'g LLC v. 1729172 Ont., Inc., No. 14-1929, 2018 U.S. Dist. LEXIS 140856 (M.D. Tenn. 2018)

Plaintiff music publishers brought suit against defendants for unlicensed use of compositions in karaoke recordings. Defendants defaulted. Magistrate found statutory damages appropriate, particularly because defendants failed to provide discovery that would be relevant to actual damage claim, and because infringement was willful. Court found enhancement of damages "particularly appropriate because the conduct of the Defaulted Defendants, involves repeated actions rather than an isolated incident, and years of deliberate infringement, followed by their evident lack of concern for the seriousness of the claims made in this litigation." As to all defendants besides Tricerasoft defendants, court found $75,000 per infringement warranted. For Tricerasoft defendants, court found $150,000 statutory maximum appropriate "[b]ased on years of willful infringement, repeatedly disregarding the Court's orders, refusing to provide financial documents or to account for all unauthorized uses, willfully violating the Preliminary Injunction order and failing to pay sanctions for contempt." In sum, magistrate recommended that Sony/ATV plaintiffs receive 3,859 awards, and EMI plaintiffs receive 4,258 awards of statutory damages.

Sullivan v. Flora, Inc., No. 15-298, 2018 U.S. Dist. LEXIS 109587 (W.D. Wis. June 29, 2018)

Plaintiff sued defendant for infringement, based on defendant's unauthorized use of 33 of plaintiff's illustrations. Jury found for plaintiff and awarded her $3.6 million in statutory damages. Defendant filed motion for *remittitur* or new trial on basis that damages were excessive or, alternatively, that damages violated substantive due process. In reviewing request for *remittitur*, court considered (1) whether award was monstrously excessive, (2) whether there was rational connection between award and evidence, and (3) whether award was roughly comparable to awards made in similar cases, and found that, while "very high," award was not "'monstrously excessive,' without a rational connection to the evidence or outside a rough comparison to similar cases." Considering due process challenge, court embraced standard in *Williams*, finding that due process was violated "only where the penalty prescribed is so severe and oppressive as to be wholly disproportioned to the offense and obviously unreasonable," and emphasized substantial deference owed to jury, reasoning

that award was not rendered oppressive or disproportionate even if factors weighed by jury (e.g., defendant's profits, difficulty in proving actual damages, plaintiff's lost revenues, etc.), when viewed in isolation, might not have supported award. Court also emphasized defendant's failure to present relevant arguments to jury or court before instant motion and held that Rule 59 motion was "*not* the proper mechanism for bringing theories or arguments that could have been raised before judgment." Accordingly, court denied defendant's motion for *remittitur* or new trial.

B. Attorneys' Fees

Manhattan Review LLC v. Yun, 919 F.3d 149 (2d Cir. 2019)

District court awarded defendants attorneys' fees as prevailing party even though defendants did not obtain favorable judgment on merits of plaintiffs' claims. Defendant Yun and plaintiff Messner formed test preparation business Manhattan Review. In 2011, after falling out, Yun filed Certificate of Cancellation for Manhattan Review with Delaware Secretary of State and formed competitor business Manhattan Enterprise. In 2012, Meissner, individually and derivatively on Manhattan Review's behalf, sued Yun and Manhattan Enterprise in New York state court on various state law claims. State court dismissed Meissner's derivative claims due to Manhattan Review's cancelled status. Meissner filed Certificate of Correction with Delaware Secretary of State and received Certificate of Good Standing, on basis of which Meissner moved to vacate state court's earlier dismissal of derivative claims. State court denied Meissner's motion because Meissner failed to show that Certificate of Good Standing nullified Certificate of Cancellation. In 2016, Manhattan Review and Meissner, derivatively on Manhattan Review's behalf, brought suit against Yun, Manhattan Enterprise and third defendant, alleging copyright and trademark infringement in addition to various state law claims. District court granted defendants' motion to dismiss federal suit, holding that collateral estoppel barred plaintiffs' claims because state court held that plaintiffs lacked capacity to sue after plaintiffs had full and fair opportunity to litigate. Defendants then sought attorneys' fees award under Copyright Act and Lanham Act. Under either feeshifting statute, prevailing party is one who has favorably effected material alteration of parties' legal relationship by court order. Second Circuit, relying on U.S. Supreme Court's holding in *CRST Van Expedited, Inc. v. EEOC*, 136 S. Ct. 1642 (2016), held that defendant need not obtain favorable judgment on merits to be prevailing party, and affirmed district court's award of attorneys' fees to defendants.

16 Casa Duse, LLC v. Merkin, 740 F. App'x 223 (2d Cir. 2018)

Second Circuit vacated district court's denial of plaintiff's claim for attorneys' fees and remanded for further consideration. In underlying action, plaintiff asserted copyright and various state law claims. After granting summary judgment to plaintiff, district court awarded plaintiff attorneys' fees under § 505. Second Circuit reversed grant of summary judgment on tortious interference claim, recognizing that conclusions in context of that holding that Merkin's copyright claims were neither objectively unreasonable nor advanced in bad faith could bear on fee determination under Copyright Act, and remanded matter for reconsideration, holding that "district court may consider [parties'] contentions on remand if and when it is required to calculate costs and fees with respect to the copyright claims only, without reference to the tortious interference claim, which we conclude is without merit." On remand, district court denied plaintiff's renewed request for fees. Plaintiff once again appealed. Second Circuit explained that its statement that re-calculation of fees on remand would be with respect to copyright claims only, without reference to tortious interference claim, "merely underscored that when the district court undertook the necessary reconsideration, it could not award fees based on the tortious interference claim, because the grant of summary judgment on that claim had been reversed." Court noted that Supreme Court in *Kirtsaeng* approved of fee award under § 505 based primarily on considerations of compensation and deterrence, even where litigation position was not objectively unreasonable, and expressed view that "under the unique circumstances of this case, a fee award in some amount may well be warranted based on those considerations."

Nobile v. Watts, 747 F. App'x 879 (2d Cir. 2018)

Second Circuit affirmed district court's award of reasonable attorneys' fees to prevailing defendant based on objective unreasonableness of plaintiff's claims and need for compensation and deterrence. Plaintiff wrote Screenplay in which childless couple decided to keep motherless baby found in boat washed up on island. Defendants wrote and published Novel, later adapted into Film, with same premise. Plaintiff alleged that Novel and Film infringed copyright in Screenplay. District court held, and plaintiff conceded, that Screenplay's basic premise was unprotectable idea. Additional plot elements shared by Screenplay and Novel – e.g., that couple found baby immediately after stillbirth, allowing them to pass off baby as own – also held to be unprotectable ideas. Remaining similarities, including wife's emotional and physical reactions to stillbirth, flowed naturally from unprotectable premise, and thus were unprotectable *scènes à faire*. Two instances of literal similarity (dialogue snippets "I hate this place" and "just you and [I/me]") were *de minimis* and did not give rise to

substantial similarity finding. Second Circuit affirmed district court's finding that infringement claim was objectively unreasonable, especially where district court explicitly accounted for considerations of compensation and deterrence. District court's award of all attorneys' fees incurred, as well as court's decision to reduce same by 15%, were reasonable. Second Circuit thus affirmed attorneys' fees award.

Shame on You Prods. v. Banks, 893 F.3d 661 (9th Cir. 2018)

Ninth Circuit affirmed district court's grant of attorneys' fees to defendants. District court dismissed plaintiff's claim that film *Walk of Shame* infringed copyright in screenplay titled *Darci's Walk of Shame*, and granted defendants' motion for fees. District court found plaintiff's infringement claim was objectively unreasonable, that substantial similarity issue was "not close," that plaintiff acted in bad faith by unreasonably delaying turnover of plaintiff's screenplay and by dragging out meritless litigation, and that overall goals of Copyright Act would be served by fee award. District court therefore did not abuse its discretion in determining that defendants were entitled to fees. Ninth Circuit also held that district court did not abuse its discretion in determining amount of attorneys' fees.

Cobbler Nev., LLC v. Gonzales, 901 F.3d 1142 (9th Cir. 2018)

Ninth Circuit affirmed district court's award of attorneys' fees to prevailing defendant in direct and contributory infringement suit. Plaintiff, owner of copyright in film *The Cobbler*, identified IP address that had, without authorization, downloaded and distributed film multiple times. After filing suit against IP address, plaintiff obtained records identifying defendant individual as subscriber associated therewith. Defendant's internet service was accessible to both residents and visitors at adult care foster home, and defendant did not disclose names or work schedules of home due to confidentiality concerns. Plaintiff sued defendant personally for direct and contributory copyright infringement, and both claims were dismissed based on plaintiff's failure to plead sufficient facts in support thereof. District court awarded attorneys' fees to defendant because plaintiff's decision to name defendant personally was unreasonable in light of plaintiff's conclusion that defendant was neither regular occupant of residence at issue nor likely infringer, and because such award would deter plaintiff from overaggressively pursuing alleged infringers without reasonable factual basis, while encouraging defendants with valid defenses to defend their rights. Ninth Circuit held district court's award proper application of relevant considerations set out in Supreme Court's decision in *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979.

Glacier Films (USA), Inc. v. Turchin, 896 F.3d 1033 (9th Cir. 2018)

Ninth Circuit reversed and remanded, holding district court abused discretion in denying plaintiff's motion for attorneys' fees. Plaintiff brought suit against defendant who used peerto-peer network platform BitTorrent to illegally download and distribute plaintiff's movie *American Heist*. Defendant was deposed and admitted to illegally downloading movie. Subsequently, defendant became non-responsive and plaintiff filed motion for default judgment. Thereafter, court appointed *pro bono* attorney who filed answer on behalf of defendant, asserting various affirmative defenses. Parties settled matter and defendant stipulated to liability for infringement and agreed to pay $750 in statutory damages. Parties further agreed that award of attorneys' fees would be determined by court. District court denied request for fees, and plaintiff appealed. Court applied factors set forth in *Fogerty v Fantasy, Inc.*, 510 U.S. 517 (1994) ("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"), and also considered degree of success obtained, purposes of Act, and whether chilling effect of attorneys' fees may be too great or impose inequitable burden on defendant. Court held plaintiff attained "actual success" by establishing defendant's liability, despite small statutory damages. Additionally, attorneys' fees were needed because current policies and legislation were failing to deter infringers. Court highlighted that defendant continued to use BitTorrent right up to deposition, despite notice that his illegal acts might subject him to legal penalties. Goals of Copyright Act were advanced by attorney's fees. Moreover, plaintiff did not engage in overaggressive assertion of copyright claims, did not request exorbitant amount of money to settle, did not seek confidential settlement agreement, and was not engaging in copyright trolling. Furthermore, court found defendant to be unreasonable and frivolous because he delayed resolution of matter and asserted baseless defenses. Finally, defendant's repeatedly distributing copies despite express copyright warnings in movie were evidence of willfulness.

YS Built LLC v. Huang, No. 17-35044, 2018 U.S. App. LEXIS 17636 (9th Cir. June 27, 2018)

Ninth Circuit affirmed award of attorneys' fees to prevailing defendants. Parties negotiated potential construction agreement whereby defendants paid plaintiff's architect to prepare plans for home. Parties ultimately could not finalize contract, and defendants hired third party to build home. Plaintiff brought suit alleging infringement. District court held trial and found for defendants. Court found trial court did not abuse discretion in awarding defendants attorneys' fees and costs pursuant to

Fogerty factor analysis. As trial court found, defendants prevailed on copyright claim; plaintiff's claim was "objectively unreasonable, if not frivolous"; plaintiff's motivation militated in favor of fees; and fees award would deter copyright abuses and compensate defendants.

Downs v. Yeshiva World News, LLC, No. 18-250, 2019 U.S. Dist. LEXIS 17751 (E.D.N.Y. Feb. 1, 2019)

Plaintiff brought copyright infringement suit against defendant, online news publisher, alleging that defendant published two of plaintiff's copyrighted photographs on its website without authorization and credit. Upon defendant's default, court granted plaintiff's motion for default judgment finding defendant liable for copyright infringement. Court held that plaintiff's request for reimbursement of costs and attorneys' fees was reasonable, given that counsel's claimed hourly rate was within range that courts usually approve in similar cases, and billing records revealed reasonable number of hours worked, and record confirmed that plaintiff reasonably incurred requested costs.

John Wiley & Sons, Inc. v. Book Dog Books, LLC, 327 F. Supp. 3d 606 (S.D.N.Y. 2018)

Granting plaintiffs' post-trial motion, district court awarded attorneys' fees to plaintiffs based on defendants' unreasonable positions and conduct in litigation, but reduced award by 30% due to deficiencies in plaintiffs' billing records. Plaintiff textbook publishers sued defendants, used book sellers, for copyright infringement, claiming defendants knowingly and recklessly sold counterfeit textbooks despite earlier settlement agreement with plaintiffs. Plaintiffs presented evidence that defendants purchased books from known counterfeiters, failed to keep accurate records, destroyed potentially infringing textbooks, and had sold and continued to sell counterfeit textbooks. During litigation, defendants took unreasonable legal positions, made frivolous requests and factual arguments, and willfully concealed evidence in discovery. Court held that this conduct, coupled with jury's finding that defendants' infringement was willful, justified attorneys' fees award. However, court held that, despite plaintiffs' reasonable requested hourly rate, plaintiffs' billing records (which included block billing and excessive time expenditure) resulted in unreasonable lodestar amount; court thus exercised discretion by reducing ultimate fee award by 30%.

We Shall Overcome Found. & Butler Films v. Richmond Org., Inc., 330 F. Supp. 3d 960 (S.D.N.Y. 2018)

Parties settled declaratory judgment action addressing validity of two copyrights in musical composition "We Shall Overcome." As part of set-

tlement, defendants agreed to stop claiming copyright in melody or lyrics of verses of "We Shall Overcome." Plaintiff moved for over $1 million in attorneys' fees and more than $60,000 in expenses. Court found that plaintiff was prevailing party under § 505. Next court assessed *Fogerty* factors, finding defense not frivolous but "weak"; that defendants' motivation in bringing suit – to save song from commercialism – weighed in their favor; that defendants' litigation conduct was not, for most part, objectively unreasonable; and that deterrence and compensation were "complex" in case because song was largely in public domain, and only thing deterred would be "baseless assertion of copyright rights." On balance, court found plaintiffs entitled to attorneys' fees. Court, however, found requested hourly rate too high, taking into account fact that defense counsel offered 50% fee reduction, and fact that plaintiffs' counsel sought to achieve common fund recovery as class action class action, from which maximum fees recoverable would have been relatively modest. In sum, court found 65% reduction from hourly rates to be "reasonable approximation of the fees that the reasonable, hourly-fee paying client could expect to pay to bring a case such as this one." Court also adjusted paralegal rates. Court rejected defendants' complaint over hours worked by plaintiffs' counsel. Although not raised by defendants, court found adjustment was needed to subtract time billed for discussions with media. Although plaintiff additionally sought to recover expert fees and expenses, court found it had no authority to shift this cost to defendants. In total, court award $352,000 in attorneys' fees.

Frye v. Lagerstrom, No. 15-5348, 2018 U.S. Dist. LEXIS 108318 (S.D.N.Y. June 27, 2018)

District court granted plaintiff's request for attorneys' fees. Plaintiff and defendant agreed to produce plaintiff's script *Homeless: A Love Story*. Parties executed agreement that all footage/material belonged to plaintiff. Defendant published six minutes of footage on YouTube, naming himself director, and refused plaintiff's demands to remove footage, resulting in Showtime's decision not to exercise first refusal rights. After defendant ignored plaintiff's demand letters and takedown notices, plaintiff brought suit for infringement. District court permanently enjoined defendant from infringing *Homeless* copyrights, and awarded plaintiff $10,000 in statutory damages. Considering plaintiff's fees motion, court noted that several of defendant's positions in defending infringement claim were objectively unreasonable; significant portions of defendant's submissions were devoted to developing conspiracy theory involving plaintiff and third parties' alleged manipulation of New York State criminal justice system, which court dismissed as "fanciful notion." Defendant's *pro se* status did not change

calculus. Court found plaintiff's counsel's $200 hourly rate, and time expended, reasonable, and awarded plaintiff $21,450 in attorney's fees.

Sophia & Chloe, Inc. v. Brighton Collectibles, Inc., No. 12-2472, 2019 U.S. Dist. LEXIS 54576 (S.D. Cal. Mar. 29, 2019)

District court denied defendant's motion for attorneys' fees. During jury trial, jury found that 10 of plaintiff's copyrights were invalid, that one of plaintiff's copyrights was valid but defendant did not infringe it, and that two of plaintiff's copyrights were valid and defendant infringed them. Court denied both parties' motions for attorneys' fees. On appeal, Ninth Circuit found that only one of plaintiff's designs was protected from virtually identical copying, and defendant had not infringed it. Ninth Circuit vacated judgment and remanded to district court for reconsideration of denial of defendant's fees motion. Applying *Fogerty* factors, court found degree of success obtained and motivation weighed in favor of awarding fees, frivolousness and objective unreasonableness weighed against awarding fees, and compensation and deterrence factor was neutral. Fact that plaintiff was small business owned by one person, with declining sales, weighed further against fees award. Looking at factors under totality of circumstances, court found that they ultimately weighed against award of attorneys' fees.

Mfg. Automation & Software Sys. v. Hughes, No. 16-8962, 2018 U.S. Dist. LEXIS 106797 (C.D. Cal. June 25, 2018)

Plaintiff software developer sold "Traceability Made Easy" program, for which it owned seven registrations and one application. Plaintiff alleged defendant copied its program in creating "InformaTrac Pro" program. Defendants contended that plaintiff could not recover statutory damages and attorneys' fees. Plaintiff acknowledged that it was aware of infringement eight months prior to effective date of registration for six registrations and prior to dates of first publication on those registrations. For registration with earlier first publication date, alleged infringement occurred following first publication, but effective date of registration was more than three months after first publication. Therefore, statutory damages and attorneys' fees were not available to plaintiff.

McGucken v. Chive Media Grp., LLC, No. 18-01612, 2018 U.S. Dist. LEXIS 115635 (C.D. Cal. Jul. 11, 2018)

Court granted in part and denied in part defendant's motion to dismiss. Plaintiff photographer brought direct and vicarious/contributory infringement and DMCA claims against defendant. Plaintiff alleged that defendant published plaintiff's copyrighted photographs on its website, and removed plaintiff's copyright management information, as defined under

DMCA. Defendant moved to dismiss plaintiff's prayer for statutory damages and attorneys' fees for "failure to identify (1) the date the alleged infringement commenced, (2) the date the copyrights were allegedly registered, and (3) the date of first publication of the works as required by § 412." Court rejected plaintiff's argument that defendant's challenge to statutory damages request was premature; decision on availability of statutory remedies was not premature because plaintiff's pleadings contained request for award of statutory damages and attorney's fees. Plaintiff did not provide date of registration of copyrights or alleged infringement. Court did not agree with plaintiff that dates of infringement were within control of defendant; alleged infringement occurred on "single publicly accessible website." URLs included with every photograph in exhibit to complaint contained date, "which is likely the date of the post. Consequently, Plaintiff is able to plead the dates of infringement for each photograph." By not including any of these dates, plaintiff failed to properly plead facts sufficient for prayer for statutory damages. Court accordingly granted defendant's motion as to plaintiff's prayer for statutory damages and attorneys' fees.

Hacienda Records, LP v. Ramos, No. 14-19, 2019 U.S. Dist. LEXIS 879 (S.D. Tex. Jan. 3, 2019)

Court held defense counsel jointly and severally liable with client under 28 U.S.C. § 1927 for attorneys' fees in amount of $236,544.50 and costs in amount of $58,101.15. Plaintiff record company sought declaratory judgment that it owned copyright in certain sound recordings and compilations. Defendant counterclaimed for copyright infringement; breach of fiduciary duty; fraud; RICO violations; and breach of contract. Court granted summary judgment in favor of plaintiff, and granted in part plaintiff's motion for fees. Court noted that in Fifth Circuit award of attorneys' fees under Copyright Act is rule rather than exception, and is compelling when non-prevailing party's claim or defense is frivolous. Court held defense counsel jointly and severally liable for fees and costs under § 1927 for unreasonably and vexatiously multiplying proceedings. District court concluded that cost recovery authorized by Copyright Act is more expansive than normal cost recovery in federal court litigation, and awarded plaintiff costs including Westlaw, Lexis, and PACER research charges; postage; publication charges paid to Copyright Office; and travel expenses of counsel to attend court hearings and depositions. Motion for injunctive relief prohibiting defense counsel from filing further lawsuits against plaintiff without leave of court was denied; court reasoned that award of fees and costs should sufficiently deter defendant from prosecuting unsupported claims in future.

Photographic Illustrators Corp. v. OSRAM Sylvania, Inc., No. 17-12425, 2019 U.S. Dist. LEXIS 18857 (D. Mass. Feb. 6, 2019)

District court denied defendant's motion to vacate, and granted plaintiff's motion to confirm, arbitration award in which arbitrator ruled against plaintiff on copyright infringement claim and in favor of plaintiff on breach of contract claim, but denied defendant's request for attorneys' fees as prevailing party on copyright claim. Plaintiff commercial photography service entered into license agreement with defendant lighting product manufacturer and seller, allowing defendant to use plaintiff's photographs of defendant's products. Plaintiff later sued several companies selling defendant's products for using plaintiff's photographs without authorization. Pursuant to license agreement, defendant commenced arbitration against plaintiff, alleging tortious interference with contract and unjust enrichment claims. Arbitrator rejected all of defendant's claims and all of plaintiff's counterclaims except breach of contract counterclaim, for which arbitrator awarded damages, attorneys' fees and costs. Arbitrator refused to award attorneys' fees to defendant despite dismissing copyright infringement claim, finding that plaintiff's copyright claims were objectively reasonable and brought in good faith, and further that award of attorneys' fees would not further Copyright Act's fundamental goal of promoting public access to creative works. Defendant sought to overturn arbitrator's holding on ground that arbitrator manifestly disregarded law in rejecting defendant's fee request. Court held that arbitrator recognized correct legal standard, considered proper factors and reached decision within his broad discretion, thereby not exhibiting manifest disregard of law. Court therefore affirmed arbitrator's award.

Oracle USA, Inc. v. Rimini St., Inc., 324 F. Supp. 3d 1157 (D. Nev. 2018)

Plaintiff Oracle created, manufactured and licensed software and provided support services to its licensed software customers. Defendant Rimini Street similarly offered software support to customers using Oracle's licensed software. Oracle asserted claims including copyright infringement and state law computer access and unfair competition claims, alleging that Rimini Street copied Oracle's works onto its computers to provide support to customers. After trial, jury found Rimini Street infringed 93 of plaintiff's works and that defendants violated state computer access laws, and awarded plaintiff $35.6 million for copyright infringement and $14,427,000 for state computer access violations. After trial, Oracle moved for permanent injunction, prejudgment interest, and attorneys' fees, which court granted. Defendants appealed jury verdict to Ninth Circuit, which affirmed findings and monetary judgment with prejudgment interest for copyright infringement. However, Ninth Circuit reversed verdict on state law

computer access and unfair competition claims and related judgment. Due to reversal on state law claims, Ninth Circuit vacated previously issued permanent injunction and attorneys' fees award. Plaintiff renewed motion for permanent injunction and attorneys' fees. Court previously awarded plaintiff $28,502,246.40 in attorneys' fees, and plaintiff sought same amount in renewed motion. Court considered *Fogerty* and additional Ninth Circuit factors to determine whether it should award fees after Ninth Circuit's reversal on state law claims. First, court found plaintiff's maintenance of suit was not frivolous and focused on plaintiff's successes in suit: plaintiff defeated defendants' counterclaims and affirmative defenses related to copyright, and jury found Rimini Street infringed 93 of plaintiff's registrations and awarded it $35.6 million for infringement, which order and verdict Ninth Circuit affirmed. While many of plaintiff's claims were dismissed or voluntarily withdrawn before trial and appeal, and Ninth Circuit reversed computer access claims, court found plaintiff's success supported award of attorneys' fees, particularly because court determined that "litigation, at its heart and core, was a copyright infringement action against Rimini Street regardless of any other claims pled." Most pretrial motions and orders were related to infringement, as was most evidence presented at trial. Second, court found that defendants' contention that it did not infringe was not reasonable because it rested on obvious misreading of relevant licensing agreements and ignored way Rimini Street used and stored plaintiff's programs on its servers. On this factor, court also considered that for more than five years Rimini Street argued that it did not infringe and specifically did not cross-use software and merely used certain versions of software for archiving and certain testing. But at trial, Rimini Street's owner and CEO testified that Rimini Street did cross-use software and engaged in infringing conduct, but contended conduct was innocent and without knowledge of impropriety. Court also considered Rimini Street's litigation misconduct during case, including recognition of spoliation and evidence destruction at trial and resulting adverse inference instruction to jury. Court found defendants' unreasonable behavior was "minimally related to state law claims reversed by Ninth Circuit." Third, court found attorneys' fees award was necessary to make Oracle whole, as it spent more than $58 million in legal fees and costs to receive infringement judgment. Fourth, court found that fee award would deter Rimini Street and third parties from infringement. Fifth, court found award of fees would serve purpose of Act because IP owners like plaintiff would be rewarded for pursuing protection under Act and spurring, compensating, and defending authors' works. Having determined that award of fees was appropriate, court considered appropriate amount. First, court determined amount requested was reasonable because rates and time were reasonable for complexity of action, and case

was predominantly about copyright infringement. Ninth Circuit opinion did not disturb court's determination on this issue. Although amount requested included time billed for claims for which plaintiff was not successful, court found claims had same central set of facts or theories as copyright claim and could be awarded. Court further found time billed for computer claims could be recovered. Court awarded Oracle $28,502,246.40 in attorneys' fees.

DRK Photo v. McGraw-Hill Global Educ. Holdings LLC, No. 16-4536, 2019 U.S. Dist. LEXIS 18082 (D. Ariz. Feb. 5, 2019)

Court granted defendant's motion for attorneys' fees after parties stipulated to dismissal with prejudice. Case was plaintiff's second attempt to bring copyright claim against defendant arising from alleged infringement, and in first case plaintiff's claims were dismissed for lack of standing. In prior case court held that plaintiff, stock-photo agency, did not have standing to bring infringement claims against defendant, textbook publisher, because plaintiff's agreements with photographers did not transfer ownership of works. Defendant argued it was entitled to attorneys' fees because: (1) plaintiff's pursuit of lawsuit was objectively unreasonable and frivolous as matter of law, (2) plaintiff and its counsel acted in faith in bringing lawsuit, and (3) fee award to defendant would serve interests of Copyright Act by deterring future improper litigation tactics. Court held case objectively unreasonable because court ruled in previous case plaintiff did not have standing. Because plaintiff was on notice that it did not have standing, claims in present case were also deemed frivolous. Rejection of identical standing theory in earlier action led court to conclude that this action was filed as form of overly aggressive litigation tactics, using threat of copyright damages as way to obtain large settlements. Finally, because plaintiff should not have brought this action after prior court orders placed plaintiff on notice it would not be successful in bringing claim, it would further purpose of Copyright Act to award attorneys' fees. Court, applying lodestar method, awarded defendant $138,717.00 in fees for 322.2 hours billed to defendant in case.

Datacarrier S.A. v. WOCCU Servs. Grp., No. 16-122, 2018 U.S. Dist. LEXIS 106090 (W.D. Wis. June 25, 2018)

District court granted prevailing defendant's motion for attorneys' fees. As to strength of parties' claims and defenses, court noted that it resolved all issues in defendant's favor, sometimes on multiple grounds; that "case was not a close one"; that plaintiff's position was objectively unreasonable; and that plaintiff's conduct unnecessarily increased length and cost of litigation. "Bottom line" was that defendant had strong defense, plaintiff clung to weak arguments that increased expense of litigation, and defen-

dant would be left without remedy if court declined to award fees. Defendant sought fees in amount of $936,325, translating to effective rate of $360 per hour. Because plaintiff did not object to reasonableness of rate or hours expended, court granted defendant's request in full.

Reed v. Ezelle Inv. Props., No. 17-1364, 2019 U.S. Dist. LEXIS 56264 (D. Or. Apr. 2, 2019)

Court granted plaintiff's motion for costs and attorneys' fees after plaintiff, nature photographer, successfully sued defendant for infringement of plaintiff's fine-art photograph of Japanese gardens in Portland. Court considered (1) degree of success obtained; (2) need to advance compensation and deterrence; (3) objective unreasonableness and frivolousness; (4) motivation; and (5) goals of Copyright Act, and found that all factors weighed in favor of awarding fees. Defendant argued that attorneys' fees should not be awarded in order to deter overaggressive assertion of copyright claims, contending that plaintiff employed "questionable litigation tactics" before and after bringing action, including insisting on confidentiality, continually overvaluing case, and offering to settle for large amounts. Court reasoned that, while plaintiff's tactics were aggressive, plaintiff was not overaggressive, and "nowhere in *Kirtsaeng* did the Supreme Court promote denying fees in *meritorious* claims because those winning claims are somehow 'overaggressive.'" In setting amount of fees, court utilized "lodestar" method, multiplying hours reasonably expended on litigation by hourly rate, and awarded costs and attorneys' fees in amount of $10,539.20.

Am. Dig. Sys. v. Nelson, No. 17-293, 2019 U.S. Dist. LEXIS 15706 (D. Utah Jan. 30, 2019)

Court granted defendant's motion for attorneys' fees after plaintiff's infringement claim was dismissed. Court determined that fees should be awarded because plaintiff (1) maintained suit based on objectively unreasonable positions; (2) prolonged, complicated, and jeopardized just resolution of litigation by serially and intentionally misstating authorship of key emails; and (3) otherwise harmed proper functioning and integrity of judicial process. Plaintiff brought suit after discovering wedding photo of plaintiff's counsel's daughter on defendant's website. During litigation, plaintiff took positions unsupported by facts, including misstating that it received confirmation of registration from Copyright Office when email originated from private company Copyright Registry Online, and repeated such misstatements in sworn declaration. Plaintiff also sought actual damages and injunction while never identifying any facts supporting reasonable inference that it suffered actual damages, and despite defendant having already removed photograph from its website; and sought statutory

damages and attorneys' fees even though it was undisputed that any infringement commenced before alleged registration. Court concluded award of $48,564 in attorneys' fees to defendant was reasonable to appropriately compensate defendant for legal expenses incurred and to deter similar future conduct.

Energy Intelligence Grp., Inc. v. CHS McPherson Refinery, Inc., No. 16-1015, 2019 U.S. Dist. LEXIS 14632 (D. Kan. Jan. 30, 2019)

Following jury trial awarding plaintiff statutory damages for defendant's copyright infringement, district court declined to award attorneys' fees to either party. Plaintiff magazine publisher sued defendant refinery for copyright infringement, alleging that defendant purchased single subscription from plaintiff for two magazines but shared each magazine with multiple recipients. Jury found that defendant willfully infringed plaintiff's copyrights and awarded $1.2 million in statutory damages for three years prior to plaintiff's initiation of suit. Post-trial, both parties moved for attorneys' fees. Court, guided by *Kirtsaeng v. John Wiley & Sons, Inc.*, 568 U.S. 519 (2013), assessed plaintiff's motivation in bringing suit, both parties' objective unreasonableness as to factual and legal arguments, and need for deterrence. Despite holding plaintiff to be prevailing party, court denied plaintiff's motion for attorneys' fees because (1) plaintiff filed over 50 similar lawsuits against customers, suggesting that its motivation was money-making rather than copyright enforcement, (2) defendant's defenses, though not meritorious, were not unreasonable, given that in Tenth Circuit "boundaries of copyright law are fuzzy at best," and given that defendant ultimately limited plaintiff's damages to 2% of amount sought, (3) plaintiff acted unreasonably by failing to make any reasonable settlement offer during litigation, and (4) no need for further deterrence because defendant admitted infringement and was forced to pay much more than license fees it would have otherwise owed to plaintiff. However, as prevailing party, plaintiff was entitled to full costs. Court also held that defendant was not entitled to attorneys' fees despite making Rule 68 offer of judgment that exceeded plaintiff's ultimate recovery. Court adopted majority position that non-prevailing party not entitled to attorneys' fees under any provision of Copyright Act.

McGraw-Hill Cos. v. Griffin, No. 14-42, 2018 U.S. Dist. LEXIS 143233 (W.D. Ky. 2018)

Plaintiffs brought suit for direct, contributory, and vicarious infringement, and accepted Offer of Judgment from defendant in amount of $359,254. Subsequently, parties disagreed over whether Offer of Judgment included award of attorneys' fees and costs. Sixth Circuit held that plaintiffs were entitled to attorneys' fees in their cost award, and remanded for district

court to consider costs including attorneys' fees payable to plaintiffs. Plaintiffs sought fees in amount of $791,709.20 and costs in amount of $63,126.99. Court rejected defendant's argument that amount requested was disproportionate in comparison to judgment, finding no requirement of proportionality between fees and damages. Defendant argued that costs should be reduced by $55,741.62 because ESI hosting fees and technical assistance in ESI management were not recoverable. However, defendant did not support argument that such costs were unrecoverable, and did not respond to plaintiffs' argument that such costs were recoverable under § 505. Court noted that district courts in Sixth Circuit had found that "full costs" in § 505 includes taxable and non-taxable costs. Court granted motion for full amount of fees and costs sought.

C. *Injunction/Impoundment*

John Wiley & Sons, Inc. v. Book Dog Books, LLC, 327 F. Supp. 3d 606 (S.D.N.Y. 2018)

District court, granting plaintiffs' post-trial motion, permanently enjoined defendants and related entities from selling counterfeit textbooks and required defendants to send all suspected counterfeits in defendants' current inventory to plaintiffs. Plaintiff textbook publishers sued defendants, used book sellers, for copyright infringement, claiming defendants knowingly and recklessly sold counterfeit textbooks despite earlier settlement agreement with plaintiffs. Plaintiffs presented evidence that defendants purchased books from known counterfeiters, failed to keep accurate records, destroyed some potentially infringing textbooks, and had sold and continued to sell counterfeit textbooks. Court found that plaintiffs demonstrated elements required for permanent injunction: without injunction, plaintiff was likely to suffer further injury from defendants' continuing infringing sales, for which plaintiffs could not sufficiently be compensated by monetary damages, and balance of hardships tipped in plaintiffs' favor each time defendants sold infringing textbook, while public interest would not be disserved by injunction. On plaintiffs' request, court extended injunction to 25 entities controlled by defendants' principal, including nonparties, and required defendants to provide sworn declaration of compliance with injunction 120 days from issuance and annually for five years. Although defendants were required to purge all known counterfeits, and send to plaintiffs all suspected counterfeits, in current inventory, defendants were not required to do so going forward. Defendants also were not required to provide notice of injunction to all entities with which defendants did business.

Conan Props. Int'l LLC v. Sanchez, No. 17-162, 2018 U.S. Dist. LEXIS 138203 (E.D.N.Y. Aug. 15, 2018)

Plaintiff, owner of copyrights in comic books and graphic novels featuring Conan the Barbarian and six other characters, sued defendant for copyright infringement, based on defendant's manufacture, display, and sale of miniature sculptures of Conan and other copyrighted characters. Before bringing suit, plaintiff filed DMCA takedown notice against defendant, who filed counter-notice "insisting his sculptures were legal" and continued selling sculptures under thinly veiled, generic names. In lawsuit, defendant defaulted, and plaintiff moved for default judgment; court referred motion to magistrate judge. Court declined to adopt magistrate's recommendation against injunctive relief, and instead found injunctive relief to be appropriate, given (1) threat of continuing infringement, and (2) that monetary damages alone were inadequate. Considering first point, court reasoned that defendant's decision to continue selling sculptures after receiving DMCA notice from plaintiff suggested defendant believed he could freely copy plaintiff's characters so long as he avoided using their exact names. On second point, court found that plaintiff's submission of photo of infringing statue supplied by third party was evidence that defendant's initial conduct had extended beyond his control and caused additional instances of infringement.

Patagonia, Inc. v. Tradition LLC, No. 18-797, 2019 U.S. Dist. LEXIS 36795 (C.D. Cal. Mar. 4, 2019)

Plaintiff, creator of outdoor clothing products, owned registration for design composed of PATAGONIA superimposed on skyline featuring Mt. Fitz Roy. Defendant created, distributed and sold t-shirts featuring similar Mt. Fitz Roy design, except word "tradition" was substituted for "Patagonia." Plaintiff moved for default judgment, statutory damages, attorneys' fees, and permanent injunction. Court applied *Eitel* factors and found they weighed in favor of entering default judgment. As to likelihood of success on merits, court found plaintiff made *prima facie* showing of valid copyright through submission of registration number and certificate. It further found plaintiff sufficiently pleaded copying by submitting images of its work and defendant's design, which showed substantial similarity. Court also found sufficient allegation of access because design was very identifiable worldwide, and had been on plaintiff's products for prolonged period of time. Plaintiff sought, and court granted, $30,000 in statutory damages rather than award for willful infringement. As to fees, court ordered $2,400 in fees in accordance with local fee schedule for default judgment. Finally, court awarded permanent injunction. It found plaintiff showed irreparable harm because, due to defendants' non-participation in suit, court had no reason to believe defendant would not infringe in future;

inadequate remedy at law because defendant's non-participation made approximation of actual damages impossible; and because there was risk of future infringement, damages for past infringement would not fully compensate plaintiff. Balance of hardships favored plaintiff because without injunction defendants were likely to continue infringing; and injunction would serve public interest. Court granted permanent injunction.

Oracle USA, Inc. v. Rimini St., Inc., 324 F. Supp. 3d 1157 (D. Nev. 2018)

Plaintiff Oracle created, manufactured, and licensed software and provided support services to its licensed software customers. Defendant Rimini Street similarly offered software support to customers using Oracle's licensed software. Oracle brought suit against defendants alleging Rimini Street copied Oracle's works onto its computers to provide support to customers, and asserted claims, including copyright infringement and state law computer access and unfair competition claims. After trial, jury found Rimini Street infringed 93 of plaintiff's works and that defendants violated state computer access laws, and awarded plaintiff $35.6 million for copyright infringement and $14,427,000 for state computer access violations. After trial, Oracle moved for permanent injunction, prejudgment interest, and attorneys' fees which court granted. Defendants appealed jury verdict to Ninth Circuit, which affirmed findings and monetary judgment with prejudgment interest for copyright infringement. However, Ninth Circuit reversed verdict on state law computer access and unfair competition claims and related judgment. Due to reversal on state law claims, Ninth Circuit vacated previously issued permanent injunction and attorneys' fees award. Plaintiff renewed motion for permanent injunction and attorneys' fees. As initial matter, court rejected defendants' argument that reversal precluded later entry of injunction. Court then assessed eBay factors to determine appropriateness of entry of injunction. Court found irreparable injury prong weighed in favor of plaintiff, finding that companies directly competed; Rimini Street increased its market share by undercutting plaintiff, which it could do because of infringement; and Rimini Street's undercutting injured Oracle's goodwill and business reputation by making it appear plaintiff was overcharging. Fact that Rimini Street claimed not to currently engage in infringement was not reason to deny injunction. Court additionally found infringement could not be compensated by monetary damages because harms to plaintiff were intangible and difficult to quantify, damages were complex and difficult for jury to determine, and exclusive rights of copyright holder have been found difficult to compensate by damages. On balance of hardships prong, court found balance weighed in favor of plaintiff, as Rimini Street did not have legitimate business purpose to continue infringement, Rimini Street claimed it changed its busi-

ness model and services to not constitute infringement, and plaintiff only sought to enjoin infringement. As to public interest, court found issuance of injunction favored public, as public would still have access to competitive services since Rimini Street changed its business model, and injunction would provide incentive to plaintiff to create software for public. Court granted plaintiff's renewed motion for permanent injunction.

Dish Network L.L.C. v. Simmons, No. 17-53, 2018 U.S. Dist. LEXIS 127891 (E.D. Tenn. June 28, 2018)

Magistrate judge found plaintiff was entitled to permanent injunctive relief under DCMA stemming from defendant's improper use of passcodes to circumvent plaintiff's encrypted security controls and access copyrighted programming offered through plaintiff's broadcast services. Plaintiff Dish provided copyright programming to its consumers through direct broadcast satellite system using encrypted satellite signals. Pirate organization sold passcodes, which permitted end users to circumvent Dish's security and access copyrighted programming for free. Dish alleged defendant Simmons purchased at least 56 passcodes, some of which Simmons resold, and commenced instant action. Simmons failed to respond, and Dish sought permanent injunction prohibiting Simmons from engaging in such conduct. To obtain relief via permanent injunction, plaintiff must show (1) it has suffered irreparable injury, (2) remedies available at law are inadequate to compensate for injury, (3) remedy in equity is warranted when balance of hardship between plaintiff and defendant is considered, and (4) public interest would not be disserved by permanent injunction. Court agreed with Dish that calculating reputational damages and lost sales was impossible, which demonstrated Dish had been irreparably harmed and money damages were inadequate. Court further found Simmons would suffer no legitimate loss because purchasing passcodes was already prohibited by law, and public interest was served by safeguarding copyright protections and advancing goal of preventing misappropriation of protected works.

Fortress Iron L.P. v. Fairway Bldg. Prods., LLC, No. 18-76, 2018 U.S. Dist. LEXIS 119551 (D. Neb. July 18, 2018)

District court denied plaintiff's motion for preliminary injunction. Plaintiff, designer and manufacturer of metal railings, alleged that defendant infringed its copyright in installation instructions included on packaging of railings, and brought motion for preliminary injunction to require that defendant repackage remaining inventory without infringing instructions. Defendant drafted new instructions and began including new instructions in its metal railing packaging. Defendant also showed that fewer than 5,000 items with old instructions remained in inventory, and that it in-

serted copies of new instructions in packages, along with notice alerting customer to disregard old instructions and heed new ones during installation. Court found plaintiff failed to carry burden of showing irreparable harm, as damages it suffered – decrease in price and customer loss – could be compensated by monetary damages. Although finding of no irreparable harm was sufficient basis to deny motion, court assessed other preliminary injunction factors. Court found likelihood of success weighed slightly in plaintiff's favor, but could not say as matter of law that instructions deserved or did not deserve copyright protection, due to defendant's defenses of merger and functionality. Balance of harms, however, weighed slightly in favor of defendant due to limited number of items still in inventory, availability of compensatory damages, and defendant's actions to remedy alleged infringement; and court found plaintiff's severalmonths-long delay in seeking relief not of sufficient duration to affect its holding. Finally, court found public interest to be neutral factor in analysis. Plaintiff thus had not demonstrated propriety of injunctive relief.

D. Miscellaneous

Rimini Street, Inc. v. Oracle USA, Inc., 139 S. Ct. 873 (2019)

Supreme Court, relying on statutory text and precedent, held that Copyright Act's provision for discretionary award of "full costs" does not allow courts to award costs beyond categories enumerated in general "costs" statute. Court found that general costs statute serves as default rule, such that when subject-specific statutes, like Copyright Act, refer to "costs," courts are confined to six categories listed in 28 U.S.C. §§ 1821 and 1920. Court reasoned that if Congress intended to award further costs, such as expert witness fees, under subject-specific statute, then Congress could provide for them. Court interpreted "full" in "full costs" to mean "all the 'costs' otherwise available under law," rather than expansion beyond default rule. Because Copyright Act does not provide for costs beyond default cost position, $12.8 million award for litigation expenses ordered by district court, and affirmed by Ninth Circuit, could not stand.

Bell v. Vacuforce, LLC, 908 F.3d 1075 (7th Cir. 2018)

Plaintiff photographer brought suit against defendant for unauthorized use of photo of Indianapolis skyline on website. Plaintiff and defendant settled, and suit was dismissed with prejudice. Defendant's counsel moved for attorneys' fees as "prevailing party" under § 505. District court found motion frivolous and misleading, and ordered Rule 11 and § 1927 sanctions. Defendant's counsel appealed. Seventh Circuit found district court did not abuse discretion in awarding Rule 11 sanctions, as defendant's counsel did not mention fact that parties had settled in his motion for fees.

Court rejected counsel's argument that settlement was irrelevant to whether party was prevailing, and held that "a settling defendant is not a 'prevailing' defendant for purposes of a statute that authorizes fee awards for prevailing parties, whether or not the settlement calls for a judgment of dismissal." Court also found district court did not abuse discretion by ordering sanctions for baseless motion that "rested on 'an infirm factual foundation.'" Counsel did not mention settlement, and erroneously attempted to analogize case to *Bell v. Lantz*, in which counsel represented Lantz, when cases were different. Court also considered district court's imposition of § 1927 sanctions on counsel requiring him to pay plaintiff's fees in responding to defendant's counsel's fee motion. Court found "district court did not abuse its discretion in determining that [counsel's] conduct was so objectively unreasonable that it called for compensatory sanctions under § 1927 just as it called for sanctions under Rule 11." Court also found no error in district court's denial of reconsideration of sanctions motion. Court did not, however, impose appellate sanctions on defendant's counsel because plaintiff moved for these sanctions too late; it did not find appeal to be frivolous even if underlying motion was frivolous; and court was "not inclined to add fuel that would further raise the temperature between these two parties in their legal analog to long-term trench warfare."

Craig v. UMG Recordings, Inc., No. 16-5439, 2019 U.S. Dist. LEXIS 53973 (S.D.N.Y. Mar. 29, 2019)

Plaintiff, photographer, brought infringement suit against defendants, music recording company, music licensing agent, and musician's estate, after learning that defendant music recording company released 43 albums featuring plaintiff's photographs of musician B.B. King between 1971 and 2015 without authorization. Court granted in part and denied in part defendants' summary judgment motion. Defendants also moved for sanctions against plaintiff and his counsel for filing meritless motion to disqualify defendants' expert witness on ground that plaintiff disclosed confidential information to expert in phone call. Court granted defendants' motion as to plaintiff's counsel and his law firm, but declined to sanction plaintiff himself. Court held that plaintiff's motion was (1) entirely meritless because plaintiff never disclosed any confidential information to defendants' expert witness, as he had alleged in his papers; and (2) made vexatiously and in bad faith because counsel "went ahead and filed this meritless motion" in spite of having full knowledge that plaintiff had not disclosed confidential information to defendant's expert. Court accordingly awarded costs and fees against plaintiff's counsel and his law firm, jointly and severally. As to plaintiff, court declined to infer bad faith and

impose sanctions because plaintiff was "layperson" who might "not have known that the motion was legally colorless before agreeing to its filing."

Sadowski v. JSN Global Media, Inc., No. 18-1392, 2018 U.S. Dist. LEXIS 205365 (S.D.N.Y. Dec. 3, 2018)

Plaintiff photojournalist alleged defendant media corporation infringed plaintiff's copyright in photograph of front of Home Depot store, which defendant used on website with relatively low readership. Defendant made Rule 68 offer of judgment that "exceed[ed] five times the highest conceivable license fee for the use at issue in this case," which plaintiff rejected. Court, pursuant to Rule 68, ordered plaintiff to post bond of not less than $10,000. Plaintiff moved for reconsideration, arguing that bond requirement should be vacated or its amount reduced because plaintiff could not be liable for non-prevailing defendant's post-offer attorneys' fees. Court denied plaintiff's motion for reconsideration, finding that when plaintiff in copyright action recovers less than defendant's rejected offer, Rule 68 requires award to defendant for fees incurred after offer. Court found that defendant would be responsible for certain costs from date of rejection of defendant's offer, and ordered plaintiff to post bond in amount not less than $10,000 in order to proceed with action.

Pereira v. 3072541 Can. Inc., No. 17-6945, 2018 U.S. Dist. LEXIS 195406 (S.D.N.Y Nov. 15, 2018)

Plaintiff brought copyright infringement case in S.D.N.Y., alleging infringement of his photograph of Tupac Shakur, Notorious B.I.G., and Redman. Parties engaged in settlement discussions to no avail. At initial conference, plaintiff acknowledged for first time that he had sued wrong corporate defendant, and stated that he would file amended complaint against proper entity. Court ordered plaintiff to show cause why he should be allowed to proceed without posting bond per local rule. Plaintiff filed amended complaint naming proper corporate defendant, but did not respond to order to show cause. Plaintiff voluntarily dismissed amended complaint without prejudice, and defendants subsequently brought motion for sanctions against plaintiff's counsel. Plaintiff later refiled in Central District of California, and responded to defendant's motion for sanctions in present case. Court was "troubled by [counsel's] conduct in this case, as in many of his firm's hundreds of other copyright cases," and quoted decision referring to him as "known copyright 'troll.'" Court nevertheless exercised discretion to deny defendant's motion for sanctions, noting that even though potential award of damages would likely have been "modest if not negligible," plaintiff still might have been entitled to declaratory judgment; and plaintiff's counsel withdrew case voluntarily at early stage, rather than prolong it. "To the extent that [counsel]

and/or his law firm engage in misconduct in the future, however, the Court will not hesitate to impose sanctions."

James v. Hunt, No. 17-1181, 2018 U.S. Dist. LEXIS 135101 (N.D. Ga. Aug. 10, 2018)

Court granted defendants' motion for summary judgment. *Pro se* plaintiffs "asserted patently frivolous copyright infringement claims against the Defendants in a series of proceedings in various courts over the course of five years," claiming that Tyler Perry films *Good Deeds* and *Temptation: Confessions of a Marriage Counselor* infringed copyrights in their respective works. Defendants moved for summary judgment seeking injunction barring plaintiffs from bringing any further legal actions based on allegations brought forth in prior cases. Court found plaintiffs' claims to be "largely repetitive, unintelligible, and lacking a basis in reality." Court granted defendants' motion for summary judgment enjoining plaintiffs from bringing any further legal action in any court against any of defendants for claims arising from "same factual predicate or nucleus of operative facts as this case" without express written permission of court.

Philpot v. LM Communications II of South Carolina, Inc., No. 17-173, 2018 U.S. Dist. LEXIS 113927 (E.D. Ky. July 10, 2018)

District court denied plaintiff's motion for sanctions based on defendant's failure to preserve "native copy" of photograph taken down from defendant's website upon receiving plaintiff's cease-and-desist letter. Plaintiff took photograph of Willie Nelson during concert and published photograph online on Wikipedia in 2011. Plaintiff provided free generic license to use Nelson photograph, provided that users complied with terms of licensing, including proper attribution to plaintiff and reference to generic license. In 2014, defendant used Nelson photograph online in promotion of upcoming Nelson concert. Plaintiff subsequently sent defendant cease-and-desist letter, notifying defendant of legal obligation to preserve all information relating to use of Nelson photograph. Although defendant removed Nelson photograph from website, plaintiff sued defendant in April 2017 for copyright infringement. Thereafter plaintiff filed motion for sanctions, arguing that by removing photograph but not preserving native copy of digital file, defendant denied plaintiff ability to discover any copyright management information contained therein. Plaintiff argued adverse inference should be made that defendant removed such information. Court had power to order measures to cure prejudice "upon finding prejudice to another party from loss of [electronically stored information] that should have been preserved in the anticipation or conduct of litigation is lost because a party failed to take reasonable steps to preserve it." Court stated that plaintiff failed to show defendant knew digital evidence contained in

file was relevant to plaintiff's claim. Further, plaintiff could not articulate what information was removed from file, whether defendant was responsible for removing such information, and relevance of information to plaintiff's claim. As such, facts did not warrant inference that defendant deleted copyright management information.

VIII. PREEMPTION

Close v. Sotheby's, Inc., 894 F.3d 1061 (9th Cir. 2018)

Plaintiffs were artists and successors-in-interest pursuing royalties under California Resale Royalties Act (CRRA), which provided artist with at least 5% royalty on resale of works. Court considered whether CRRA was preempted by Copyright Act. Court analyzed preemption separately under 1976 Act and 1909 Act. First, plaintiff's claims for royalties on resales of fine art fell within copyright's subject matter under 1976 Act. Court also found CRRA claims equivalent to § 106's distribution right, which is limited by § 109's first sale doctrine. Accordingly, court found claims arising after January 1, 1978 effective date of 1976 Act expressly preempted. Court assessed claims arising under 1909 Act separately, as 1909 Act contained no express preemption provision. Court relied instead on its 1980 holding in *Morseburg v. Balyon* to find that CRRA was not preempted by 1909 Act, rejecting defendants' argument that *Morseburg* had been implicitly overruled. Accordingly, claims arising between CRRA's effective date of January 1, 1977 and 1976 Act's effective date of January 1, 1978 were not preempted.

Close v. Sotheby's, Inc., 909 F.3d 1204 (9th Cir. 2018)

Court previously held that claims for resale royalties (pursuant to California Resale Royalties Act (CRRA)) for sales occurring after January 1, 1978 were expressly preempted by 1976 Copyright Act. Court found that claims for royalties for sales prior to January 1, 1978 were not preempted, and remanded portion of case concerning those claims. Sotheby's and eBay moved for attorneys' fees as prevailing parties under CRRA. As initial matter, court made three observations about CRRA fee-shifting provision: (1) "prevailing party" language allowed defendants and plaintiffs to receive fees in certain situations; (2) "shall be entitled" language indicated fee award was mandatory; and (3) addition of provision in 1982 indicated that it would only apply to sales occurring from January 1, 1983 onwards. Plaintiffs opposed Sotheby's and eBay's motions on two grounds – that CRRA fee-shifting provision was preempted, and that Sotheby's was not prevailing party. Plaintiffs' preemption argument further broke down into two parts. First, plaintiffs argued that court's prior opinion determined CRRA was "null and void" and therefore could not

have valid attorneys' fee provision. Court disagreed with argument, finding that decision regarding preemption did not affect existence of state law which survives until repealed; instead, preemption decision renders provision unenforceable until Congress rescinds federal law found to preempt state law, or courts render different opinion. Second, plaintiffs argued that 1976 Act preempted CRRA attorneys' fee provision, but court found that neither express nor conflict preemption applied. CRRA fee-shifting provision did not fall within purview of § 301. Additionally, provision did not conflict with Act because application of fee-shifting provision depends whether action brought pursuant to state or federal law, and plaintiffs only brought claim under state law. Court similarly rejected plaintiffs' argument that Sotheby's was not prevailing party because portion of case was remanded. Fee-shifting provision only applied to sales beginning in January 1983, and all of those claims were determined in Sotheby's favor. Court found that pendency of portion of case would not delay fee award, because "Sotheby's has obtained a secure victory on all of claims for which fees may be awarded." Court granted motion for attorneys' fees and referred matter to Commissioner for determination of appropriate fee amount.

Munro v. Lucy Activewear, Inc., 899 F.3d 585 (8th Cir. 2018)

Eighth Circuit affirmed district court's dismissal of plaintiff's trade dress infringement and state law tortious interference with contract claims as preempted. Plaintiff artist Munro was known for large, immersive light-based installations, including "Field of Light" and "Forest of Light." Munro had confidential discussions with defendant activewear company Lucy regarding use of Munro's art in advertising campaign for Lucy. Simultaneously, Munro had talks with public officials in Boston regarding public exhibition of Munro's art. After both talks ended, Lucy launched interactive light installation called "Light Forest" as advertising campaign in Boston. Following Lucy's motion to dismiss, Munro moved to amend complaint to add claims of trade dress infringement and tortious interference with prospective business opportunities. District court denied motion to amend complaint as futile, and dismissed foregoing claims with prejudice. Munro appealed. Eighth Circuit held Munro's trade dress infringement claim preempted because it was founded on Lucy's creation of knockoff light installation that "plagiarized" Munro's creative designs, which were protected by copyright rather than trademark law. Tortious interference claim was preempted because, as Munro conceded, his works fell within subject matter of copyright law, and because Munro alleged his state law rights were infringed by Lucy's wrongful reproduction of Munro's light installations, which are equivalent to rights under copyright

law. Therefore, both trade dress and tortious interference claims were preempted.

Spin Master, Inc. v. Amy & Benton Toys & Gifts Co., No. 17-5845, 2019 U.S. Dist. LEXIS 19362 (S.D.N.Y Feb. 6, 2019)

Plaintiffs, part of large multinational toy and entertainment company, brought copyright and New York state law claims against defendants, China-based businesses selling to U.S. through online storefronts, related to plaintiffs' "Bunchems" children's toy product packaging. Plaintiffs filed unopposed motion for summary judgment. As to plaintiffs' claims for unfair competition and unjust enrichment under state law, court applied Second Circuit's test and found that claims based on defendants' reproduction of copyrighted packaging were preempted. Although plaintiffs established unfair competition claim based on defendants' use of Bunchems mark, unfair competition claim based on defendants' reproduction of plaintiffs' copyrighted packaging was preempted by Copyright Act. Unjust enrichment claim was likewise preempted to extent it relied on theory that defendants reproduced plaintiffs' copyrighted artwork. Although unjust enrichment claim contained additional element of enrichment, such element did not go far enough to make unjust enrichment claim qualitatively different from copyright infringement claim.

Saint-Amour v. The Richmond Org., Inc., No. 16-4464, 2019 U.S. Dist. LEXIS 54620 (S.D.N.Y. Mar. 27, 2019)

Plaintiffs challenged defendants' protectable copyright interest in American folk song "This Land Is Your Land," seeking declaratory judgment that defendants' copyright was invalid and that song was in public domain. Plaintiffs also asserted state law claims for deceptive acts or practices, breach of contract, money had and received, and rescission. Plaintiffs had already paid mechanical license to produce cover version of song, and now wished to distribute new version of song with same lyrics and different melody. Defendants moved to dismiss for failure to state claim due to preemption. Court applied two-pronged test under which claim is preempted if (1) work at issue comes within subject matter of copyright and (2) right being asserted is equivalent to any of exclusive rights within general scope of copyright. Because plaintiffs challenged validity of copyright in musical work, court held subject matter requirement was satisfied. Court then evaluated whether rights asserted were equivalent to rights protected by Copyright Act, and found that all state-law claims asserted by plaintiffs concerned rights equivalent to rights protected by Act; court consequently dismissed all state law claims with prejudice.

Batra v. PopSugar, Inc., No. 18-3752, 2019 U.S. Dist. LEXIS 20299 (N.D. Cal. Feb. 7, 2019)

Court denied defendant's motion to dismiss plaintiff's right of publicity, contract interference, and UCL claims, finding no claims to be preempted. Plaintiff, Instagram influencer, sued defendant in class action lawsuit, alleging that defendant used names and images of thousands of Instagram influencers and replaced links in images that allowed influencers to monetize their following with another link that caused defendant to profit from any items purchased. Defendant argued that, because plaintiff also alleged infringement in complaint, subject matter of plaintiff's claims was photographs, which fell within protective scope of Copyright Act. Court disagreed, finding that plaintiff's allegations relied on allegations in addition to and separate from misappropriation of her photographs. For right of publicity claim, court found that plaintiff additionally relied on misappropriation of her likeness and identity in text. For contract claims, court found that plaintiff additionally relied on removal of monetized links. Accordingly, because subject matter of these claims was not limited to use of plaintiff's copyrighted images, none of these claims were preempted.

O'Brien v. PopSugar Inc., No. 18-4405, 2019 U.S. Dist. LEXIS 19526 (N.D. Cal. Feb. 6, 2019)

District court granted plaintiffs' motion to remand action to state court because, contrary to defendants' assertions in support of removal, plaintiffs' claims were not completely preempted by federal copyright law. Plaintiffs, fashion bloggers and influencers, sued defendant PopSugar, alleging state law class action claims based on California common law right of publicity, intentional interference with contract and unjust enrichment, and California Unfair Competition Law (UCL). Plaintiffs claimed that PopSugar misappropriated plaintiffs' and others' identities and likenesses by featuring profiles of influencers on PopSugar's website, along with images from influencers' Instagram profiles. PopSugar moved to remove to federal court on ground that preemptive force of Copyright Act is so extraordinary that plaintiffs' claims, though purportedly based on state law, were completely preempted by federal law. Ninth Circuit courts employ two-pronged preemption analysis, deciding first whether state law claim's subject matter falls within subject matter of copyright law, and if so, whether state law rights are equivalent to copyright holders' exclusive rights under Copyright Act. Because plaintiffs' right of publicity claim relied not only on misappropriation of photographs (which are creative works subject to copyright law) but also on names and identities, plaintiffs asserted rights not equivalent to those of copyright holders, and claim was not preempted. Further, because plaintiffs' contract interference claim included key component of unauthorized removal of affiliate links associ-

ated with photographs, which is separate from unauthorized reproduction of plaintiffs' photographs, it also was not preempted. Plaintiffs' unjust enrichment claim, like contract inference claim, was separable from unauthorized use of plaintiffs' photographs, and likewise not preempted. Finally, to extent that plaintiffs' UCL claim was based on non-preempted state law claims, it also was not preempted.

Iron Orchid Designs v. Prima Mktg., No. 18-1896, 2018 U.S. Dist. LEXIS 193406 (C.D. Cal. Nov. 9, 2018)

District court granted plaintiff's motion to remand. Plaintiff created "original graphic designs and tools, produced and marketed for use in the do-it-yourself home décor and crafts market." Defendant distributed scrapbook and crafting supplies. In 2014, plaintiff created "new concept" of "beautifully crafted designs, stamps, transfers, molds, and inks . . . for decorative large-scale applications to home furnishings, walls, fabrics, and other surfaces." In 2015, defendant agreed to market new product on test basis; plaintiff alleged, and defendant disputed, that parties entered marketing agreement. Plaintiff alleged that parties agreed to terminate agreement, but defendant continued to exploit plaintiff's works, and redesigned its own product. Plaintiff also alleged that one of defendant's royalty payments was not complete, and defendant then repudiated agreement. Plaintiff brought suit for common law and California Unfair Competition Law (UCL) claims, and defendant removed. Plaintiff moved to remand. Court held that contract claims fell within subject matter of Act, finding that even ideas not protected by Act fell within subject matter. Contract claims had extra element, however, because claims rested on plaintiff's expectation to be compensated for sharing idea with defendant. Court found UCL claim not preempted for same reasons, and granted motion to remand.

MD Helicopters, Inc. v. Aerometals, Inc., No. 16-2249, 2018 U.S. Dist. LEXIS 203539 (E.D. Cal. Nov. 30, 2018)

Court denied defendant's motion to dismiss. Defendant argued causes of action based on state law related solely to claim of copyright infringement and were preempted. Plaintiff argued that causes of action were based on appropriation of subject matter outside of scope of copyright act, including "including procedures and processes for manufacturing MD 500 helicopter parts." Defendant argued that causes of action fell within subject matter of copyright because works described in complaint were literary and pictorial works; plaintiff responded that claims expressly included subject matter outside of Copyright Act because defendant not only misappropriated plaintiff's drawings, but also misappropriated plaintiff's "procedures and processes for manufacturing MD 500 helicopter parts," and copyright pro-

tection does not extend to procedures and processes. Court agreed that Copyright Act does not protect procedures and processes, only expression of procedures and processes. Complaint, however, did not contain allegations that defendant unlawfully used procedures and processes, only that defendant unlawfully misappropriated drawings. Court therefore found that causes of action fell within subject matter of Copyright Act. Court agreed with defendant that plaintiff's complaint did not contain allegations of private contract issues, reverse passing off, or implied passing off, but nonetheless found that complaint contained allegations beyond scope of copyright, i.e., that defendant improperly used plaintiff's OEM drawings to unfairly obtain authority and approval from FAA to produce spare and replacement parts for MD 500 Series helicopters. Court therefore held that state law causes of action were not preempted.

Lauter v. Rosenblatt, No. 15-8481, 2018 U.S. Dist. LEXIS 135559 (C.D. Cal. Aug. 10, 2018)

Plaintiff, sole proprietor of entertainment company, granted defendant Echo Bridge Entertainment digital distribution license for 10 films in exchange for royalty payments. Plaintiff alleged that defendants breached agreement by distributing free digital copies of films and by failing to pay royalties. Plaintiff alleged causes of action including copyright infringement and unfair competition in violation of California law. Defendant Rosenblatt, alleged founder and majority shareholder of Echo Bridge Entertainment, argued that unfair competition cause of action was preempted. Court found that unfair competition claim centered on alleged unauthorized distribution of films and fabrication of royalty statements related thereto. Subject matter of allegations fell within subject matter of copyright and sought to vindicate same rights. State law claim was thus preempted. Court accordingly granted motion to dismiss with respect to unfair competition claim.

Glass Egg Digital Media v. Gameloft, Inc., No. 17-4165, 2018 U.S. Dist. LEXIS 130219 (N.D. Cal. Aug. 2, 2018)

District court denied defendant's motion to dismiss, holding plaintiff's state law conversion claim not preempted. Plaintiff alleged defendant's sister company, Gameloft Iberica of Spain, hired third party studios to create 3D digital car models for use in video games owned by defendant's parent company, Gameloft France. Unbeknownst to plaintiff, third party studios subcontracted certain of plaintiff's employees who clandestinely created car models during working hours, using plaintiff's equipment. Ultimately, Gameloft USA marketed video games that contained car models. Plaintiff, alleging it was "rightful legal owner" of works, asserted conversion claim, stating defendants took unauthorized possession of

works and requesting return of digital files containing works. In opposition, defendant argued recovery of intangible intellectual property is equivalent to copyright claim, and accordingly preempted. Court noted that to avoid preemption, "state claim must have an 'extra element' which changes the nature of the action." Court held that conversion claim that seeks return of improperly acquired intangible property is different in nature from copyright claim, and not preempted.

Fed'n of State Massage Therapy Bds. v. Mendez Master Training Ctr., Inc., No. 17-2936, 2018 U.S. Dist. LEXIS 136746 (S.D. Tex. Aug. 14, 2018)

Plaintiff created and administered countrywide licensing examination that analyzed candidates' massage and bodywork competency, and results of exam were used by agencies to evaluate candidates for licensure. Plaintiff alleged defendants received and reproduced exam questions without authorization and sold questions and answers to potential test takers, resulting in alleged frustration of exam integrity and licensure process, and requiring plaintiff to revoke hundreds of exam questions and spend resources to create new ones. Plaintiff brought claims for direct and contributory infringement; misappropriation of trade secrets under Texas, California, and federal law; tortious interference with contract; breach of contract; and violation of Texas Harmful Access by a Computer Act. Defendants moved to dismiss, arguing, inter alia, that state claims are preempted by Copyright Act. Court found majority of state claims not preempted, as they required additional element. Trade secret misappropriation claims were not preempted in Fifth Circuit, and while Ninth Circuit had not spoken on preemption of California law, elements of Texas and California laws are largely same, Ninth Circuit also applied extra element test, and other California courts had found such California misappropriation claims not preempted. On breach of contract claim, court found existence of additional element in that contract requires "binding agreement" between parties. On improper access claim, court found argument insufficiently developed to dismiss at early stage, so denied motion. Court dismissed tortious interference claim on only one of two theories. On first ground, plaintiff alleged defendant caused individuals to breach contract with plaintiff when they provided to or accepted from test takers exam materials. Court construed argument as one about reproduction, use and distribution of protected material, and therefore identical to copyright claim and preempted. However, on second ground, plaintiff alleged that interference aided "test takers to misrepresent their massage education background and English-language skills." Court interpreted this as different from copyright claim, and therefore found claim not preempted.

Design Idea, Ltd. v. Meijer, Inc., No. 15-3093, 2018 U.S. Dist. LEXIS 122753 (C.D. Ill. Jul. 23, 2018)

Plaintiff created, manufactured and distributed SPARROWCLIPs, clothespins containing bird design. Defendant Meijer ordered SPARROWCLIPs from plaintiff and directed defendant Whitmore to produce copies of works. Whitmore sent set of SPARROWCLIPs to Chinese manufacturer, and asked if it had mold for works; manufacturer had mold producing exact duplicates of SPARROWCLIPs, which it used to manufacture clips shipped to Japan and not to U.S. Whitmore instructed manufacturer to recreate color of plaintiff's works, and imported and sold its CANARY CLIPS into U.S. Plaintiff brought claims for copyright infringement, violations of DMCA and breach of contract. Contract claim was based on earlier settlement agreement between plaintiff and Meijer regarding other goods, but agreement also required Meijer not to purchase, create, manufacture, order, sell, or distribute goods with plaintiff's IP, and stated parties would work together to further goals of agreement. Court found breach of contract claim not preempted because contract contained additional promise that defendant would only use IP specified in agreement. Court also found claim could proceed based on allegation that Meijer followed through on threat to not do business with plaintiff if plaintiff defended IP. Court denied motion for summary judgment.

Vill. Builders on the Bay, Inc. v. Cowling, 321 F. Supp. 3d 624 (E.D. Va. 2018)

Court granted plaintiff's motion to remand, finding that plaintiff's claims of (1) statutory business conspiracy; (2) tortious interference; (3) misappropriation of trade secrets; and (4) unjust enrichment in amended complaint were not preempted. Plaintiff, contractor, developed house plans, detailed specifications, and itemized costs to build family residence for client, who then hired competing contractor to build residence based on plaintiff's work product. Plaintiff sued competitor, who moved to have case removed based on federal question jurisdiction. In response, plaintiff amended original complaint to drop two counts of common law copyright infringement. Defendant maintained that federal jurisdiction was proper nevertheless because (1) amended complaint still included facts that supported infringement; and (2) unjust enrichment and infringement were equivalent claims. Court disagreed, reasoning that remaining claims involved different elements than infringement and therefore were not preempted, even though underlying facts supported infringement. Considering unjust enrichment, court determined plaintiff's work product included materials outside scope of copyright protection, such as cost esti-

mates, which undermined defendant's assertion that claims were equivalent.

Hayden v. 2K Games, Inc., No. 17-2635, 2019 U.S. Dist. LEXIS 47115 (N.D. Ohio Mar. 21, 2019)

District court granted in part and denied in part defendants' motion to dismiss. Plaintiff tattoo artist sued video game developer Take-Two for alleged unauthorized display of plaintiff's tattoo artwork on NBA players in popular basketball simulation series *NBA 2K*. Defendant argued unjust enrichment claim was preempted. Court determined that tattoos are generally within subject matter of copyright, regardless of whether each tattoo is ultimately protectable. Court also found that plaintiff's claim for unjust enrichment was functionally equivalent to claim under Copyright Act. Plaintiff argued that unjust enrichment claim included "extra element" insofar as plaintiff asserted that defendant "appropriated and exercised proprietorship" over tattoos without acknowledging plaintiff in any way for use of his artwork in products. Court found, however, that unjust enrichment claim depended on defendant's unauthorized use of plaintiff's work – "the essence of Hayden's claim under the Copyright Act."

Nieusma, Inc. v. Affygility Solutions, LLC, No. 18-2515, 2019 U.S. Dist. LEXIS 56941 (D. Colo. Apr. 3, 2019)

Court granted plaintiff's motion to remand case to state court. Plaintiff had contractual relationship with defendant through which plaintiff authored written materials and reports that defendant marketed and sold. Plaintiff's and defendant's agreement progressed from oral profit-splitting arrangement to written agreement. After defendant cancelled agreement, plaintiff alleged defendant unlawfully sold pre-agreement reports owned by plaintiff; plaintiff filed action in state court seeking declaration that agreement did not transfer to defendant ownership of pre-agreement reports. Defendant removed case to federal court and moved to dismiss, arguing plaintiff's claims were preempted. Court rejected defendant's argument, finding that, while pre-agreement reports authored by plaintiff and sold by defendant were within scope of copyright, claim was "qualitatively different from, and requires elemental proof beyond, copyright infringement." Finding correct answer did not require showing of infringement, but did require analysis of agreement itself. Because narrow issue was one of contract interpretation and not copyright, court found it lacked subject matter jurisdiction and remanded case to state court.

Montgomery v. Jones, 355 F. Supp. 3d 720 (M.D. Tenn. 2019)

Court granted in part and denied in part defendant's motion to dismiss. Plaintiff, songwriter and producer, sued wife of deceased singer George

Jones and other entities for conversion and trespass to chattels based on defendants' receipt of master recordings of songs plaintiff wrote and produced for George Jones when singer was between recording contracts. Plaintiff claimed agreement with George Jones gave plaintiff ownership of recordings, though album of recordings remained unreleased until defendant, wife of George Jones, sold master tapes to co-defendant entity, which sold master tapes to co-defendant record label, which released album of recordings without giving ownership, producer credit, or right to receive payment for sales to plaintiff. Plaintiff's complaint did not specifically allege copyright infringement, and only asserted state law claims based on plaintiff's claimed ownership of physical master tapes. Defendants argued plaintiff's state law claims were preempted, but court found that because plaintiff's claims were not based on defendants' sale and release of recordings, but rather related to tangible, not intangible, property, and because physical embodiments of copyrighted work are not protected by copyright law, plaintiff's claims were not preempted.

Wright v. Penguin Random House, No. 18-38, 2018 U.S. Dist. LEXIS 194682 (E.D. Tenn. Nov. 15, 2018)

Court granted defendants' motion to dismiss for failure to state claim. *Pro se* plaintiff claimed she uploaded personal memoir to personal website years before novel *Fifty Shades of Grey* was published, and that when she contacted defendant Penguin Random House about "piracy" of memoir, defendant "proceeded to argue it was impossible and their client had never been to [Plaintiff's] site before." Plaintiff sought damages from defendants, publisher and author of book, to compensate for lost royalties, as well as injunction against further sales of book trilogy. Defendants argued that all of plaintiff's claims should be dismissed because they were preempted. Court agreed, and dismissed all state law claims because they depended solely on defendants' alleged use of plaintiff's original work without permission or compensation. Court found further that plaintiff could not assert federal cause of action under Copyright Act because plaintiff did not allege that she had or had applied for copyright registration for her memoir.

SiteLink Software, LLC v. Red Nova Labs, Inc., 2018 NCBC LEXIS 90 (N.C. Bus. Ct. Aug. 20, 2018)

North Carolina Business Court denied defendant's summary judgment motion seeking dismissal of plaintiff's breach of license claims as preempted. Plaintiff SiteLink and defendant Red Nova both provided facility management software (FMS) to self-storage facility owners. Red Nova entered into license agreement with SiteLink allowing Red Nova to retrieve customer data from SiteLink, via SiteLink's application program-

ming interface (API), for customers using both Red Nova and SiteLink. SiteLink's API use license included non-compete and conflict-of-interest disclosure provisions. During license term, Red Nova developed competing FMS product and used SiteLink's API to provide it to SiteLink's users.

After SiteLink sued Red Nova for breach of license, unjust enrichment and trade secret misappropriation, Red Nova moved for summary judgment, arguing claims were preempted. Business Court held that Copyright Act preempts breach-of-license claims only where they require proof of copying or distribution of copyrighted material without license. SiteLink's breach-of-license claim was not preempted because it did not require proof that Red Nova copied or distributed software beyond that initially copied or distributed under parties' license; claim thus was based on contractual rights outside rights provided by Copyright Act. Likewise, SiteLink's unjust enrichment claim was not preempted because it was based on Red Nova's failure to pay for excess use of copyrighted material. Finally, SiteLink's trade secret misappropriation claim under North Carolina law was not preempted because it required element of secrecy, which is absent from copyright claims. Therefore, SiteLink's claims were not preempted.

IX. DIGITAL MILLENNIUM COPYRIGHT ACT

Stevens v. CoreLogic, Inc., 899 F.3d 666 (9th Cir. 2018)

Ninth Circuit affirmed summary judgment in favor of defendant. Plaintiff photographers took photos of properties and licensed works to real estate agents, who then uploaded works to Multiple Listing Services databases using defendant's software. Plaintiffs alleged defendant removed CMI from works and distributed works in violation of § 1202(b). Trial court granted defendant's motion for summary judgment. Ninth Circuit noted that § 1202(b)(1) and (b)(3) "require[d] the defendant to possess the mental state of knowing, or having a reasonable basis to know that his actions 'will induce, enable, facilitate or conceal' infringement." Specifically, court held that "a plaintiff bringing a Section 1202(b) claim must make an affirmative showing, such as by demonstrating a past 'pattern of conduct' or 'modus operandi,' that the defendant was aware or had reasonable grounds to be aware of the probably future impact of its actions." In instant case, court found that plaintiffs did not show requisite mental state.

Craig v. UMG Recordings, Inc., No. 16-5439, 2019 U.S. Dist. LEXIS 53973 (S.D.N.Y. Mar. 29, 2019)

Plaintiff, photographer, initiated action against defendants music recording company, music licensing agent, and musician's estate asserting copyright and DMCA claims after learning that defendant music recording company, without plaintiff's authorization, released 43 albums featuring plaintiff's photographs of musician B.B. King between 1971 and 2015. Defendants moved for summary judgment on plaintiff's DMCA claim arguing that, even if allegedly infringing photographs included copyright management information, such information was removed by third party prior to defendant obtaining photos and releasing albums. Court granted summary judgment in favor of defendants, holding that plaintiff failed to present sufficient evidence that defendants intentionally removed copyright management information or "had reason to know that the [copyright management information] had been improperly removed when releasing the infringing albums."

Mango v. BuzzFeed, Inc., 356 F. Supp. 3d 368 (S.D.N.Y. 2019)

District court after trial entered judgment against defendant for alteration of copyright management information ("CMI"). Plaintiff photographer created photograph used in story in New York Post with plaintiff's name appearing below in "gutter credit." Plaintiff's photograph was used for Buzzfeed article written by veteran news reporter, defendant Gregory Hayes, who was knowledgeable regarding rules for obtaining permission to use photographs and crediting photographers. Plaintiff's name did not appear in gutter credits. Plaintiff sued alleging removal of CMI. Section 1202(b) of DCMA prohibits three acts, namely, removal or alteration of CMI, distribution of CMI with missing or altered information, or distribution of works with missing or altered CMI. Court held that gutter credit, which originally appeared under plaintiff's photograph, constituted protected CMI. Further, Buzzfeed distributed photograph with altered gutter credit without Mango's permission; Buzzfeed and Hayes knew gutter credit was altered; and since Hayes was familiar with requirement of attaining permission to use third party photographs, Hayes reasonably should have known that using plaintiff's photograph with altered gutter credit would have wrongfully implied Buzzfeed had permission to use photograph, thus concealing its infringement.

JLong v. Dorset, No. 17-2758, 2019 U.S. Dist. LEXIS 28748 (N.D. Cal. Feb. 22, 2019)

Court granted defendant's motion to dismiss infringement claim, finding that DMCA safe harbors shielded defendant from liability. Plaintiff, ex-

pert in yoga, alerted defendant Facebook that anonymous hacker, "Tammy Dorset," had taken over Facebook page for plaintiff's company, Bandha Yoga. In addition, hacker had posted to page over 100 of plaintiff's copyrighted anatomical illustrations and other images embedded with links that redirected users to fake blog, which featured pornographic advertisements and installed malware on users' devices. Facebook promptly responded to plaintiff's initial email and continued to work with plaintiff until issue was resolved five business days later. Plaintiff argued that DMCA safe harbors did not protect Facebook because Facebook failed to act expeditiously in response to plaintiff's DMCA notice, and that "expeditiousness" was question of fact that could not be decided on motion to dismiss. Court disagreed, finding that "expeditiousness" was question of law and that Facebook's five-business-day response satisfied DMCA's expeditiousness requirement.

Batra v. PopSugar, Inc., No. 18-3752, 2019 U.S. Dist. LEXIS 20299 (N.D. Cal. Feb. 7, 2019)

Court denied defendant's motion to dismiss for failure to state DMCA claim. Plaintiff, Instagram influencer, brought class action lawsuit against defendant, alleging that defendant reposted thousands of influencers' Instagram images after removing sidebar text, which included identifying information and important links relating to each author. To show violation of DMCA § 1202(b), plaintiff must establish that defendant intentionally removed or altered copyright management information knowing or having reasonable grounds to know that such act would conceal infringement. Defendant argued that DMCA claim should fail because plaintiff did not plead that defendant possessed requisite mental state and did not identify specifically what copyright management information was removed. Court disagreed, finding that deleted sidebar text plausibly constituted copyright management information and that defendant's mental state could be plausibly inferred from plaintiff's allegations. Therefore, court held that plaintiff sufficiently alleged violation of DMCA.

Philpot v. Alternet Media, Inc., No. 18-4479, 2018 U.S. Dist. LEXIS 203500 (N.D. Cal. Nov. 30, 2018)

Plaintiff photographer captured image of Willie Nelson and made it available on Wikimedia under Creative Commons Attribution 2.0 Generic license. Defendant maintained "alternative news website and companion Facebook page where it publishes and posts original content as well as content from other sources." Defendant posted meme on Facebook with introductory phrase "We need more values like this" with following quote laid over plaintiff's work: "Rednecks, hippies, misfits – we're all same. Gay or straight? So what? It doesn't matter to me. We have to be con-

cerned about other people, regardless. I don't like seeing anybody treated unfairly. It sticks in my craw. I hold on to values from my childhood." Plaintiff brought suit for infringement and violation of DMCA. On § 1202(b) claim, court found plaintiff failed to sufficiently plead defendant's mental state; instead, court found allegations that defendant should have known that removing CMI from work would induce, enable, facilitate or conceal infringement to be conclusory. Court granted motion to dismiss DMCA claim with leave to replead.

Eclipse Gaming Sys., LLC v Antonucci, No. 17-196, 2019 U.S. Dist. LEXIS 15078 (N.D. Ill. Jan. 31, 2019)

District court denied counterclaim defendant's motion to dismiss counterclaim for DMCA violation stemming from use of proprietary gaming machine software. Counterclaim plaintiff Antonucci, Chief Technical Officer of plaintiff, gaming machine developer Eclipse Gaming Systems ("EGS"), attempted to negotiate buy-out of his interest EGS. After negotiation failed, Antonucci installed "time bomb" mechanism requiring EGS to purchase security key to use software Antonucci's company, DDS, licensed to EGS. To avoid putting its business in jeopardy, EGS ultimately decided to use previously licensed version of Antonucci's software. EGS filed suit, and Antonucci counterclaimed, alleging EGS circumvented technological measures controlling access to Antonucci's software in violation of DMCA § 1201. Court noted that circumvention can occur by descrambling or decrypting protected works or by avoiding, bypassing, removing, deactivating or impairing technological measure without permission of copyright owner. Court held that by removing DDS's new software that contained license check and replacing it with older version that did not, EGS employed work-around to bypass security measure in violation of DMCA.

Alan Ross Mach. Corp v. Machinio Corp., No. 17-3569, 2018 U.S. Dist. LEXIS 195415 (N.D. Ill. Nov. 16, 2018)

Court granted defendant's motion to dismiss amended complaint. Plaintiff and defendant each maintained search engine websites for finding new and used machinery. Plaintiff asserted Digital Millennium Copyright Act (DMCA) claim accusing defendant of scraping sales listings and photographs from plaintiff's website, and reproducing them on defendant's website with defendant's copyright notice. Court assessed whether plaintiff had stated valid claim under § 1202. As to claim for removal or alteration of CMI, court noted that website contained copyright notice "at the bottom of the website, without indicating to what it refers." Plaintiff did not allege that any CMI existed on its webpage other than that notice, nor did it allege that listings, photographs, or descriptions in listings contained

CMI. Court could not make inference that notice encompassed listings and photographs. Plaintiff failed to state claim for removal/alteration of CMI because complaint contained no specific allegation that defendant removed/altered CMI from individual listings or photographs. Plaintiff further alleged that defendant distributed false CMI because defendant's terms of use page contained false representations of ownership of copyright. Noting that DMCA requires false CMI to be "conveyed in connection" with work, court found plaintiff failed to state valid claim because general copyright notices on different page from listings at issue were too far removed to be "conveyed with the work." District court therefore dismissed DMCA claim and provided plaintiff with final opportunity to amend complaint.

Philpot v. WOS, Inc., No. 18-339, 2019 U.S. Dist. LEXIS 67978 (W.D. Tex. Apr. 22, 2019)

District court found defendant entitled to summary judgment on § 1202(b) claim. Freelance photographer sued media company for copyright infringement and removal of copyright management information, alleging defendant (1) posted photographer's photographs of musicians Lukas Nelson and Kenny Chesney without proper attribution as required under Creative Commons license and (2) removed copyright management information in violation of § 1202(b). In motion for summary judgment, defendant argued plaintiff could not establish intent or actual knowledge as required to prove violation of § 1202. Defendant's CEO testified defendant was unaware plaintiff's photos contained metadata, and that defendant did not consider photographic metadata to be useful. Plaintiff argued defendant must have been aware of metadata in plaintiff's photos because of metadata notice on webpage from which defendant downloaded plaintiff's photos. District court held that no evidence in record proved that defendant was aware of metadata in plaintiff's photos, and entered judgment for defendant with respect to CMI-removal claim.

Maule v. Anheuser Busch, LLC, No. 17-461, 2018 U.S. Dist. LEXIS 125805 (E.D. Pa. July 27, 2018)

Plaintiff was self-described "well-known and highly respected Philadelphia photographer and journalist." Plaintiff created photograph of Philadelphia skyline, including landmarks of One and Two Liberty Place, BNY Mellon Center, and 1818 Market Street. Plaintiff then altered photo by adding two buildings which didn't exist at time – Comcast Center, which was later built, and Mandeville Place, which was never built. Plaintiff also altered text on billboard captured by changing it to include name of website plaintiff owned. Plaintiff alleged that defendants' neon sign advertising Budweiser beer and portraying Philadelphia skyline infringed work.

Defendants moved to dismiss. Plaintiff made three DMCA claims. First, plaintiff argued that defendants violated §§ 1201(a)(2) and 1201(b) by not including altered billboard text, which plaintiff claimed functioned as watermark. Court rejected argument because sign was not "technology, product [or] service" to circumvent watermarks and instead was beer advertisement and because alleged watermark was not "technological measure" under §§ 1201(a) or (b). Second, plaintiff claimed defendant inserted false CMI because work contained sticker on back saying Anheuser Busch was copyright owner. Court found no factual support for argument and held that sticker would not aid or conceal infringement because sign did not infringe plaintiff's work. Third, plaintiff argued defendants violated § 1202(b) by not including altered billboard text; court rejected claim because it found sign did not infringe, and also found billboard was not CMI under Act. Court dismissed claims without leave to replead.

Dish Network L.L.C. v. Simmons, No. 17-53, 2018 U.S. Dist. LEXIS 127891 (E.D. Tenn. June 28, 2018)

Magistrate judge found plaintiff was entitled to relief under DCMA stemming from defendant's improper use of passcodes to circumvent plaintiff's encrypted security controls and access copyrighted programming offered through plaintiff's broadcast services. Plaintiff Dish provided copyright programming to consumers through direct broadcast satellite system using encrypted satellite signals. Pirate organization sold passcodes, which permitted end users to circumvent Dish's security and access copyrighted programming for free. Dish alleged that defendant Simmons purchased at least 56 passcodes, some of which Simmons resold, and commenced instant action. Simmons failed to respond, and Dish sought default judgment as to violation of DCMA § 1201, which prohibits trafficking in any technology or service that (1) is primarily designed for purpose of circumventing technological measure that controls access to copyrighted work, (2) has limited commercially significant purpose or use other than to circumvent technological measure that controls access to copyrighted work, and (3) is marketed for use in circumventing technological measure that controls access. Court noted that encryption-based security systems constituted valid access control measure for DCMA purposes, and found Simmons was trafficking in passcodes designed to circumvent Dish's security controls; such passcodes had no commercially significant purpose or use other than to circumvent Dish's security controls.

TD Ameritrade, Inc. v. Matthews, No. 16-136, 2018 U.S. Dist. LEXIS 118684 (D. Alaska July 16, 2018)

Defendant, who had received access to investment account with plaintiff, accessed plaintiff's thinkorswim applications program interface for investment trading. Defendant's access enabled defendant to create own computer software program for investment trading, for which defendant obtained copyright registration. Plaintiff sued defendant for declaratory judgment and injunctive relief, and defendant asserted counterclaims for copyright infringement and violations under DMCA §§ 1201 and 1202. Defendant claimed plaintiff violated § 1201 of DMCA and circumvented technological measure that effectively controlled access to protected work by hacking into defendant's computer, destroying defendant's hard drive controller, and copying source code defendant had created. Court granted plaintiff's motion to dismiss § 1201 counterclaim because defendant failed to specifically allege what technological measures, if any, defendant had on his computer at time of alleged cyberattack, granting defendant leave to amend counterclaim to allege specific technological measures on his hard drive at time of alleged attack. Defendant further alleged counterclaim under § 1202, which court characterized as copyright infringement claim. Court denied plaintiff's motion to dismiss § 1202 counterclaim, finding that defendant's copyright registration, coupled with his allegations that source code at issue was not derivative work of plaintiff's source code but was instead created separate and apart from plaintiff's system, adequately pleaded ownership of valid copyright, which, court stated, "is a predicate to asserting a claim under the DMCA."

X. VISUAL ARTISTS RIGHTS ACT

Tobin v. Rector, Church-Wardens, & Vestrymen of Trinity Church, No. 17-4010, 2018 U.S. App. LEXIS 23761 (2d Cir. Aug. 23, 2018)

Second Circuit upheld district court's dismissal of Visual Artists Rights Act claim because plaintiff waived his rights under statute. Plaintiff sculptor created 9/11 memorial sculpture originally located at Trinity Church in Lower Manhattan pursuant to written agreement that allowed defendant to loan sculpture to third parties as well as to not publicly exhibit sculpture. Defendant later relocated sculpture to Connecticut seminary. Plaintiff alleged relocation impermissibly modified his sculpture under VARA, which plaintiff asserted was site specific, and was created for its original location at Trinity Church; relocation thus violated integrity of piece. Second Circuit found that because parties' agreement permitted defendant to physically move sculpture, plaintiff waived any right under VARA to maintain sculpture at Trinity Church. Second Circuit therefore upheld dis-

trict court's decision, even though latter was based on different ground (VARA's public presentation exception).

Noland v. Janssen, No. 17-5452, 2019 U.S. Dist. LEXIS 37781 (S.D.N.Y. Mar. 8, 2019)

Plaintiff visual artist created "Log Cabin Façade" sculpture, which in 1990 was sold to defendant Schurmann, who later exhibited work throughout Germany, including for 10 years at museum in Aachen. Plaintiff granted permission for museum to show work outdoors and to stain wood darker color. Museum placed work on ground without protective barrier, so some of work's wood began to deteriorate, and Schurman and defendant KOW gallery replaced original wood with new wood. Later, Schurmann and KOW used defendant Janssen gallery to sell work. Janssen gallery found American purchaser and executed contract with New York choice of law provision that specified that delivery was to occur in Ohio, and stated that if plaintiff wanted to disassociate herself from work, then purchaser could choose to have gallery's owner purchase it. Plaintiff then "disavowed the legitimacy of the refurbished Log Cabin," and purchaser chose to have gallery's owner purchase work. Plaintiff claimed work was unauthorized copy of original "Log Cabin Façade." Plaintiff alleged violation of VARA and moral rights under German law; infringement under U.S. and German law; and contributory and vicarious infringement. Defendants moved to dismiss. Defendants argued that because all allegedly infringing actions occurred in Germany that plaintiff could not bring suit in U.S. under Act. Court rejected plaintiff's attempt to satisfy "predicate act" exception to territorial limitation on applicability of U.S. Copyright Act.

First, purchase in U.S. of wood used to refurbish work in Germany was not infringing act. Second, attempt to sell work in U.S. was insufficient; plaintiff did not allege any infringing activities in country or even that work was delivered in U.S. Court also declined to exercise supplemental jurisdiction over German law claims. Court granted motion to dismiss, and granted leave to replead for final time.

PART II

ADMINISTRATIVE DEVELOPMENTS

ADMINISTRATIVE DEVELOPMENTS

Library of Congress

The U.S. Copyright Office has launched a limited pilot program for an electronic recordation system that will eventually replace the current paper-based process. The pilot focuses on electronic processing of ownership and other documents relating to copyright that fall under section 205 of title 17. It does not include notices of termination under sections 203, 304(c), and 304(d).

Pilot participants are a representative group of the system's users based on frequency of submission, industry type, and organization size. The Office will add participants in new groups throughout the coming year, allowing the Office to gauge the system's performance and support participants appropriately.

This pilot is the first offering in the Office's Enterprise Copyright System (ECS). ECS is the Office's planned new enterprise IT system that will integrate and improve the Office's technology systems and will provide users with a consistent and optimal interface. The Office worked closely with the Library's Office of the Chief Information Officer (OCIO) by providing business information that OCIO, which undertakes the development work, uses to develop the system. The release of this pilot represents the successful conclusion of the first part of recordation modernization by the Office and OCIO; the next phase turns to continuous development as we work to provide additional functionality in the coming years.

Library of Congress

Pursuant to the Musical Works Modernization Act, title I of the Orrin G. Hatch–Bob Goodlatte Music Modernization Act (MMA), the Copyright Office has issued three notices of proposed rulemaking and one notification of inquiry.

The MMA directs the Office to adopt a number of regulations to govern the new blanket licensing regime, including regulations regarding notices of license, notices of nonblanket activity, usage reports and adjustments, information to be included in the mechanical licensing collective's database, database usability, interoperability and usage restrictions, and the handling of confidential information.

After soliciting public comments through a September 2019 notification of inquiry, the Office is now issuing:

A proposed rule regarding notices of license, data collection efforts, reports of usage and payment by digital music providers and related records of use, notices of nonblanket activity and reports of usage by significant nonblanket licensees, and data collection efforts by musical work copyright owners. Written comments had to be received no later than May 22, 2020, at 11:59 p.m. eastern time.

A proposed rule regarding the obligations of the mechanical licensing collective (MLC) to report and distribute royalties paid by digital music providers under the blanket license to make and distribute digital phonorecord deliveries of musical works to musical work copyright owners. The rule does not address the distribution of unmatched royalties after the prescribed holding period, which the Copyright Office will separately address, including through an ongoing policy study. Written comments had to be received no later than May 22, 2020, at 11:59 p.m. eastern time.

A proposed rule to define "confidential information" and propose various categories of permitted disclosure and use of confidential information by MLC employees, board and committee members of the MLC and digital licensee coordinator (DLC) (and members' respective places of employment), and vendors and agents of the MLC and DLC. Written comments must be received no later than June 8, 2020, at 11:59 p.m. eastern time.

A notification of inquiry seeking additional input regarding issues related to ensuring appropriate transparency of the MLC, as well as the contents of the collective's public musical work database, database access, and database use. Written comments must be received no later than June 8, 2020, at 11:59 p.m. eastern time.