Selected Annotated Cases

“RECENT DEVELOPMENTS IN COPYRIGHT”
SELECTED ANNOTATED CASES

by Robert W. Clarida and Thomas Kjellberg

with

Scott Ceresia
Robert J. English
Maryann Licciardi
Seth Shaifer
Maya Tarr

Cowan, Liebowitz & Latman, P.C.
1133 Avenue of the Americas New York, NY 10036-6799
(212) 790-9200 • www.cll.com • fax (212) 575-0671
These annotations cover cases reported since our report at the 35th Copyright Society Annual Meeting of 2011.

© 2012 Cowan, Liebowitz & Latman, P.C.
Table of Contents

I. JURISDICTION AND PROCEDURAL ISSUES ....... 42
   A. Subject Matter Jurisdiction ....................... 42
   B. Personal Jurisdiction and Venue ................. 44
   C. Standing ........................................ 45
   D. Miscellaneous .................................. 47

II. COPYRIGHTABILITY .................................. 49
   A. Originality ....................................... 49
   B. Pictorial, Graphic and Sculptural Works ........... 51
   C. Compilations and Derivative Works ............... 52

III. OWNERSHIP ........................................... 52
   A. Works Made for Hire ................................ 52
   B. Transfer of Ownership ............................. 54
   C. Joint Works and Co-Ownership ..................... 54
   D. Contracts and Licenses ............................ 55

IV. FORMALITIES .......................................... 58
   A. Registration ....................................... 58
   B. Restoration ....................................... 59

V. INFRINGEMENT ...................................... 60
   A. Access ........................................... 60
   B. Copying and Substantial Similarity .............. 61
   C. Contributory/Vicarious Infringement ............. 66
   D. Miscellaneous .................................... 69

VI. DEFENSES/EXEMPTIONS ............................. 70
   A. Fair Use .......................................... 70
   B. Statute of Limitations ............................ 73
   C. First Sale Doctrine ............................... 74
   D. Misuse .......................................... 76
   E. Miscellaneous .................................... 77

VII. REMEDIES ........................................ 78
    A. Damages and Profits .............................. 78
    B. Attorneys' Fees .................................. 81
    C. Injunction/Impoundment .......................... 82
    D. Sanctions ....................................... 84

VIII. PREEMPTION ..................................... 85

IX. DIGITAL MILLENNIUM COPYRIGHT ACT .......... 91
### Table of Cases

<table>
<thead>
<tr>
<th>Case</th>
<th>Citation</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airframe Systems v. L-3 Communications Corp., 658 F.3d 100 (1st</td>
<td>Cir. 2011)</td>
<td>62, 81</td>
</tr>
<tr>
<td>Art of Living Foundation. v. Does I-10, 100 U.S.P.Q.2d 1604 (N.D.</td>
<td>Cal. 2011)</td>
<td>48</td>
</tr>
<tr>
<td>Barclays Capital, Inc. v. Theflyonthewall.com, Inc. 650 F.3d 876</td>
<td>(2d Cir. 2011)</td>
<td>85</td>
</tr>
<tr>
<td>Brownmark Films, LLC v. Comedy Partners, 682 F.3d 687 (7th Cir.</td>
<td>2012)</td>
<td>70</td>
</tr>
<tr>
<td>Brownmark Films, LLC v. Comedy Partners, 800 F. Supp. 2d 991 (E.D.</td>
<td>Wis. 2011)</td>
<td>46, 72</td>
</tr>
<tr>
<td>Capitol Records, Inc. v. MP3Tunes, LLC, 821 F. Supp. 2d 627</td>
<td>(S.D.N.Y. 2011)</td>
<td>66, 91</td>
</tr>
<tr>
<td>Customguide v. Careerbuilder, LLC, 813 F. Supp. 2d 990 (N.D. Ill.</td>
<td>2011)</td>
<td>87</td>
</tr>
<tr>
<td>Case</td>
<td>Circuit</td>
<td>DOCKET #</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>---------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>Fleischer Studios, Inc. v. A.V.E.L.A., Inc., 654 F.3d 958 (9th Cir. 2011) ........................................... 54 R</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flexible Lifeline Systems, Inc. v. Precision Lift, Inc., 654 F.3d 989 (9th Cir. 2011) ........................................... 82 R</td>
<td></td>
<td></td>
</tr>
<tr>
<td>John Wiley &amp; Sons v. Kirtsaeng, 654 F.3d 210 (2d Cir. 2011) ........ 74 R</td>
<td></td>
<td></td>
</tr>
<tr>
<td>L.A. Printex Industries, Inc. v. Aeropostale, Inc., 676 F.3d 841 (9th Cir. 2012) ........................................... 58, 60, 61 R</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mavrix Photo, Inc. v. Brand Technologies., Inc., 647 F.3d 1218 (9th Cir. 2011) ........................................... 44 R</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
I. JURISDICTION AND PROCEDURAL ISSUES

A. Subject Matter Jurisdiction

Bisnews AFE, Ltd. v. Aspen Research Group, Ltd., No. 11-3108,

District court granted defendant’s motion to dismiss for lack of subject
matter jurisdiction where allegedly infringing acts occurred outside U.S.
Plaintiff, Thailand corporation, provided real-time stock prices, analysis,
news and other related information via Bisnews product utilizing Apex
software licensed from defendant. Defendant, Colorado corporation, provided pre-packaged software services to clients worldwide. Defendant granted plaintiff non-exclusive license to use Apex and to provide sub-license for use of Apex to plaintiff’s subscribers in Thailand. License agreement limited parties to whom defendant could provide Apex in Thailand. Defendant entered in joint venture with Thai news agency to develop new real-time stock information service Aspen. Plaintiff filed copyright infringement claim, alleging that Aspen was substantially similar to Apex. Defendant filed motion to dismiss under Rule 12(b)(1) for lack of subject matter jurisdiction, arguing that there was no predicate act committed in U.S. upon which copyright claim could be brought. Court agreed, reasoning that copyright laws generally do not have extraterritorial application, and that defendant’s acts alleged by plaintiff failed to satisfy exception to rule, i.e., to allege that infringing act occurred within U.S., and this act initiated further infringement abroad. Court found that entry into joint venture with news agency and review of allegedly infringing product by defendant’s principal in U.S. were insufficient as matter of law, and that alleged joint development of infringing product and sale of infringing product from U.S. to Thailand were unsupported and in certain key respects contradicted by documents on which plaintiff relied. Court reasoned further that alleged sales occurred in Thailand, and such foreign sales did not support subject matter jurisdiction.


Plaintiff brought claim for breach of contract based on defendant’s failure to render payment for services in connection with photographs used in online auction. After defendant filed claim against third-party defendant Auction Nation, independent contractor that prepared copyrighted photographs, Auction Nation brought counterclaim against defendant for infringement on ground that defendant had used copyrighted photographs without rendering payments required under parties’ agreement. Upon Auction Nation’s admission that there had been implied license agreement between the parties, defendant moved to dismiss infringement claim. Court granted defendant’s motion, finding that Auction Nation’s grant of implied non-exclusive license to defendant to use copyrighted photographs barred its infringement claim as matter of law. For copyright claim to exist, Auction Nation was required to show that it had rescinded (terminated) agreement based upon defendant’s failure to pay, and that defendant had thereafter used copyrighted photographs without authorization. Court held that Auction Nation had shown neither; instead, Auction Nation had merely asserted claim for breach of contract that involved copyright elements, which was insufficient to confer federal jurisdiction.
B. Personal Jurisdiction and Venue

_Mavrix Photo, Inc. v. Brand Technologies, Inc._, 647 F.3d 1218 (9th Cir. 2011)

Plaintiff, celebrity photo agency, brought infringement suit against operator of “Hollywood” celebrity gossip website, alleging that defendant had posted copyrighted photographs without plaintiff’s authorization. Plaintiff regularly licensed celebrity photos to magazine publications such as _People_ and _Us Weekly_. Defendant, Ohio corporation, moved to dismiss for lack of personal jurisdiction. District court granted defendant’s motion. On appeal, Ninth Circuit held that defendant’s contacts with California were not sufficiently “continuous and systematic” to confer general personal jurisdiction, since defendant had no offices or staff in California, was not registered to do business in state, had no registered agent for service of process in state, and paid no state taxes. However, court reversed lower court’s dismissal upon finding “minimum contacts” with California sufficient to confer specific personal jurisdiction over defendant. Court found that defendant had “purposefully directed” its activities toward California where (1) defendant had intentionally reposted allegedly infringing photos on its website; (2) defendant’s acts were “expressly aimed” at California, since substantial number of hits to defendant’s website came from California residents, defendant sold advertising space to third-party advertisers who posted advertisements (e.g., travel ads) directed to Californians, and defendant’s website had overarching “focus on the California-centered celebrity and entertainment industries” such that it “anticipated, desired, and achieved a substantial California viewer base”; and (3) defendant knew its acts were likely to cause plaintiff harm in California, since substantial part of photos’ value derived from likelihood that significant number of Californians would have otherwise purchased magazine publications like _People_ and _Us Weekly_ in order to view copyrighted photos.


District court granted defendants’ motion to dismiss where plaintiff did not adequately allege statutory basis for personal jurisdiction over defendants, Japanese individual and corporate entities. Every corporate defendant was Japanese company with its principal place of business in Japan. Plaintiff, professional photographer and New York resident, owned copyright in image of woman ripping photograph of her own face in half as she stares at camera through tear. Defendant Japanese recording artist released album featuring on promotional materials series of photographs in which defendant looks through picture of herself as she tears it in half.
Plaintiff alleged that defendants expected and intended that album would be promoted, distributed and sold worldwide, including in New York, and that album was sold in New York City and could be purchased over Internet by buyers anywhere in U.S. Defendants moved to dismiss complaint under Fed. R. Civ. P. 12(b)(2) for lack of personal jurisdiction. Corporate defendants asserted that they did not own any property in New York, did not have bank accounts in New York, and did not own any interest in New York entities. Defendant Amuro asserted that, although she briefly vacationed in New York, she conducted no business with New York entities, and had never performed or promoted album in New York. Analyzing alleged facts under New York long-arm statute, CPLR 302(a), court concluded that plaintiff failed to state prima facie case for personal jurisdiction. Plaintiff did not allege that any New York seller acted with defendants’ knowledge or consent or was under their control, or that defendants sold album to importer with full knowledge that it would be resold in New York. Plaintiff also did not allege that any defendant regularly conducted business in New York, derived revenue in New York, or engaged in persistent conduct in New York. Further, mere likelihood or foreseeability that defendants’ product would find its way into New York was not sufficient to show injury to plaintiff within New York, and plaintiff failed to allege facts suggesting that defendants intended directly or indirectly to serve New York market. Court accordingly granted motion to dismiss.

C. Standing


Plaintiff brought suit for infringement of literary work, alleging that defendant had uploaded work to website without plaintiff’s authorization. Plaintiff was not copyright owner when work was posted online, but rather alleged ownership based on subsequent assignment. Defendant moved to dismiss, arguing that plaintiff lacked standing to sue, on ground that it was not owner of exclusive right in copyright at issue. Although assignment purported to transfer all rights in copyrighted work to plaintiff, plaintiff could not exploit or profit from work in any way other than receipt of proceeds in connection with infringement action, and assignment was fully terminable by assignor at any time. Court therefore granted defendant’s motion to dismiss, since plaintiff possessed no right other than “bare right to sue,” which did not constitute “exclusive right” in copyrighted work necessary for standing. Court further found that revised assignment did not remedy standing defect, since plaintiff was still foreclosed from exploiting copyrighted work for any purpose other than bringing infringement action, and since assignor could in its sole discretion repurchase all right and title to copyright for nominal fee.
District court dismissed plaintiff’s complaint for lack of standing, but maintained jurisdiction over defendant’s declaratory judgment counter-claim against counterdefendant Stephens Media, LLC. Plaintiff sued defendant for infringement after user posted, without permission, article about Tea Party’s effect on Sharon Angle’s senatorial campaign on Democratic Underground’s website. Plaintiff alleged that it purchased copyright in article from Stephens Media, including right to sue for past infringements. However, plaintiff’s Strategic Alliance Agreement (“SAA”) with Stephens, which plaintiff initially failed to disclose, revealed that plaintiff acquired only bare right to sue. Court rejected plaintiff’s argument that SAA did not alter or limit rights it purportedly obtained by subsequent assignment from Stephens, finding that plain language of SAA prevented plaintiff from ever acquiring any exclusive right other than bare right to sue. Court, citing \textit{Silvers v. Sony Pictures Entertainment, Inc.}, 402 F.3d 881 (9th Cir. 2005), explained that “[s]ince the right to sue is not one of the exclusive rights, transfer solely of the right to sue does not confer standing on the assignee.” Court also rejected plaintiff’s argument that court should construe SAA to confer standing based on parties’ intent, finding (1) plain language of SAA was unambiguous in conveying intent of parties to deprive plaintiff of all rights but right to sue; and (2) since SAA was not void or unenforceable, court had no basis to amend or reinterpret SAA to confer standing on plaintiff. Lastly, court rejected plaintiff’s argument that amendment to SAA executed by parties well after commencement of action cured defects of SAA and gave plaintiff standing to sue. Since standing depends on facts as they exist at time complaint is filed, plaintiff cannot subsequently amend facts to manufacture standing.

\textit{Brownmark Films, LLC v. Comedy Partners}, 800 F. Supp. 2d 991 (E.D. Wis. 2011)

District court denied defendant’s motion to dismiss for lack of standing where plaintiff became copyright co-owner via assignment from two of three original copyright owners. Plaintiff was co-owner of copyright in music video entitled \textit{What What (In the Butt)} (WWITB). Defendants were entities involved in production of \textit{South Park}. Plaintiff sought damages and injunctive relief based on \textit{South Park} episode in which character Butters is coaxed by his friends to record Internet video in hopes of making “Internet money.” Video replicated parts of WWITB video, with Butters singing WWITB’s central lines while dressed as teddy bear, astronaut and daisy. In episode, video went viral; however, \textit{South Park}’s fourth graders’ attempts to collect “Internet money” were fruitless. Defendants filed motion to dismiss, arguing, inter alia, that plaintiff lacked standing to sue be-
cause only two of three original copyright owners assigned their rights to plaintiff. Defendants cited *Sybersound Records, Inc. v. UAV Corp.*, 517 F.3d 1137 (9th Cir. 2007), which held that only means by which party may obtain exclusive license of copyright in joint work is to have all co-owners grant such license. Court found *Sybersound* unpersuasive. Instead court adopted position that determination of whether grant is exclusive or non-exclusive “depends on the grant.” Congress intended co-owners to be able to grant non-exclusive licenses and to transfer their proportional share in whole without others’ permission, and transferee should be able to stand in shoes of transferor. Accepting allegation in complaint as true, court found grant by two original owners of their interest in WWITB to be complete assignment of their rights, and concluded that plaintiff had standing to sue for infringement of underlying copyright.

D. Miscellaneous


District court granted defendant’s motion to compel arbitration in infringement action against former licensee of web-based system, where license agreement included arbitration provision requiring arbitration for claims arising out of agreement. Plaintiff provided home appraisal services and developed web-based appraisal order management and tracking system (AMCTrak). Defendant, mortgage lender, entered into license agreement with plaintiff to use AMCTrak. Agreement prohibited defendant from reverse-engineering and creating derivative works based on AMCTrack, and included arbitration provision stating that “any claim or controversy arising out of or relating to this Agreement, which cannot be resolved between the Parties shall be settled by arbitration in . . . in accordance with the Commercial Arbitration Rules of the [AAA].” Defendant terminated agreement and launched its own web-based appraisal management system, which plaintiff claimed was substantially similar to AMCTrack. Plaintiff filed complaint for copyright infringement. Defendant requested to submit dispute to arbitration, to which plaintiff responded that it would agree if defendant agreed in advance that arbitrator had authority to grant equitable relief. Defendant sought order from court to compel arbitration without preconditions. Reasoning that FAA requires court to compel arbitration of issues covered by arbitration agreement, court analyzed Agreement between plaintiff and defendant. Plaintiff argued that its complaint alleged copyright infringement, not breach of Agreement, that defendant rescinded Agreement, and that Agreement did not extend to claims in complaint, and thus was not applicable. Court disagreed. In determining whether particular claim is within Agreement’s
scope, court must focus on factual allegation of complaint, not legal theories. Court found that all of plaintiff's claims, including copyright infringement, arose from or related to Agreement, because right to use copyrighted material was very subject of Agreement. Court also found it unnecessary for parties to agree in advance on whether arbitrator had authority to grant equitable relief; it was up to arbitrator to decide on form of relief, and Agreement had no limits on type of relief. Accordingly, court granted motion to compel arbitration without preconditions.

_Art of Living Foundation v. Does 1-10_, 100 U.S.P.Q.2d 1604 (N.D. Cal. 2011)

District court granted defendant's motion for relief from Magistrate Judge's order denying motion to quash, and stayed discovery related to defendant's identity, pending resolution of defendant's motion to strike and for summary judgment. Plaintiff Art of Living Foundation (AOLF) was international educational and humanitarian organization dedicated to teachings of spiritual lessons of “His Holiness Ravi Shankar.” Defendants, allegedly disgruntled former students/teachers of AOLF, operated blog criticizing plaintiff, and posted on blog materials allegedly infringing plaintiff's copyright. Plaintiff filed complaint alleging copyright infringement based on publication by defendant of plaintiff's copyrighted _Breathe Water Sound Manual_ (BWSM). Plaintiff served subpoenas seeking defendants' identities from companies hosting blog. Defendants filed motion to quash, arguing that disclosure of their identities would violate their First Amendment rights. Magistrate Judge, applying factors enumerated in _Sony Music Entertainment, Inc. v. Does 1-40_, 326 F. Supp. 2d 556 (S.D.N.Y. 2004), denied motion to quash as to one of defendants, Skywaker, who later moved for relief from discovery order, arguing that because his speech concerned matter of public interest, more rigorous standard articulated by _Highfield Capital Management, L.P. v. Doe_, 385 F. Supp. 2d 969 (N.D. Cal. 2005), should have been applied instead. District court agreed, finding that, given nature of Skywaker's speech — heated discussion and criticism of AOLF raising significant constitutional issues — and recent Ninth Circuit decision in _Perry v. Schwarzenegger_, 591 F.3d 1147 (9th Cir. 2010), suggesting that where substantial First Amendment concerns are at stake, courts should determine whether discovery request is likely to result in chilling protected activity, _Highfield_ more appropriately balanced parties' competing interests. Applying _Highfield_, court reasoned that disclosure of Skywaker's identity was itself irreparable harm, and declarations from affected individuals alone have been found to demonstrate that disclosure would chill protected conduct. In contrast, (1) plaintiff was unable to explain why information sought by plaintiff — motives for and extent of defendant's misconduct as well as other persons
involved and financial benefits obtained — could not be obtained through interrogatories; (2) some information, such as who viewed and downloaded BWSM and any revenue generated by defendant’s blog, could be acquired from companies hosting blog; and (3) plaintiff was unable to explain why deposition was necessary at time when motions to strike and for summary judgment had been fully briefed and were pending, rather than after resolution of these motions. Accordingly, court found that injury to defendant outweighed injury to plaintiff, and granted defendant’s motion to quash.

II. COPYRIGHTABILITY

A. Originality


District court denied defendant’s motion to dismiss, finding authorized audio recording of conference call entitled to copyright protection. Executives of plaintiff hosted invite-only conference call with securities analysts to discuss plaintiff’s worldwide business performance. Without invitation or plaintiff’s consent, defendant tapped into and created unauthorized recording of plaintiff’s conference call, which defendant made available online to its “Bloomberg Professional” paid subscribers. Court found that because plaintiff recorded its conference call simultaneously with its live transmission, plaintiff’s audio recording of call satisfied fixation requirement. With respect to originality, court noted that defendant did not contest plaintiff’s independent creation of work, and found that plaintiff’s audio recording “easily satisfies the relatively low bar for creativity.” Because plaintiff’s executives did not simply recite unprotected facts and figures without context or embellishment, according to court, “there can be no real doubt that the spoken-word contributions of [plaintiff’s] senior executives possesses the requisite creativity to qualify for copyright protection.” Even executive’s “unique pronunciation of words and their inflection and tone of voice” possessed sufficient creativity to qualify for copyright protection, at least in form of sound recording. Accordingly, court found that plaintiff sufficiently pleaded its claim for copyright infringement against defendant, and denied defendant’s motion.

Nielsen Co. (US) v. Truck Ads, LLC, 102 U.S.P.Q.2d 1020 (N.D. Ill. 2011)

District court granted in part plaintiff’s motion for partial summary judgment on its ownership of valid copyright, denied plaintiff’s and defendant’s motions on direct copying, and denied plaintiff’s motion for summary judgment on infringement as premature. Nielsen Co. brought
action for infringement, alleging that Truck Ads, LLC copied Nielsen’s “Designated Market Area” (DMA) maps displaying media markets throughout United States. It was undisputed that plaintiff had valid copyright registrations for three years of maps, providing presumption of validity. Defendant challenged on four grounds: (1) plaintiff did not create maps, but copied them from third party; (2) maps lacked sufficient creativity to support copyright; (3) FCC’s use of maps removed copyright protection; and (4) plaintiff’s copyright would be limited to any year-to-year changes in maps. Court dealt with challenges in turn. Plaintiff made original contributions to maps; therefore, even if not novel, works were sufficiently original for copyright protection. Maps showing television viewing market areas were not simply “facts” or “ideas” that would be ineligible for protection under *Feist*. Use by FCC did not place maps in public domain. Finally, defendant could not show that plaintiff copied maps; based on unrebutted evidence of plaintiff’s annual review process, court concluded plaintiff held valid copyright.


District court denied defendant’s motion for summary judgment, finding plaintiff’s Focus Program, unique treatment system for treating patients with behavioral management problems, was entitled to copyright protection. Court disagreed with defendant’s claim that plaintiff’s behavioral treatment program consisted only of unprotectable ideas, processes, and systems: “Although plaintiff cannot seek copyright protection for various ideas expressed in the [program], [plaintiff’s] unique expression of those ideas — including their selection and arrangement of the treatments to be used and their use of questions to the patient . . . is entitled to copyright protection.” Court also rejected defendant’s contention that plaintiff’s program was factual compilation entitled to only thin copyright protection, such that plaintiff must show “extensive verbatim copying” in order to prevail. Court distinguished plaintiff’s program from collection of data on schools in *Schoolhouse, Inc. v. Anderson*, 275 F.3d 726 (8th Cir. 2002), and collection of names, addresses, and telephone numbers in *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340 (1991). Rather, court found plaintiff’s program more analogous to communication and negotiation training manuals in *Situation Management Systems, Inc. v. ASP Consulting, LLC*, 560 F.3d 53 (1st Cir. 2009). Because plaintiff’s original expression of ideas was entitled to full copyright protection, plaintiff needed only to establish substantial similarity to prevail on its infringement claim.
B. Pictorial, Graphic and Sculptural Works


District court granted defendant’s motion to dismiss complaint claiming that defendant’s dress infringed plaintiff’s copyright in design of prom dress. Design was not protected by valid copyright because none of style elements were physically or conceptually separable from dress as whole. Plaintiff Jovani, designer and manufacturer of women’s evening dresses, received copyright registrations for dress catalogs. Plaintiff sued defendant for manufacturing and selling dresses in style that allegedly infringed style from copyrighted catalog. Plaintiff argued that its style included original artwork incorporated in dress, including ornamental design and arrangement on face of fabric of dress, selection and arrangement of sequins and beads and their respective patterns on bust portion, and wire-edge tulles added to lower portion of dress. Defendant moved to dismiss under Fed. R. Civ. P. 12(b)(1) and/or 12(b)(6), arguing (1) plaintiff’s copyright registration only accorded copyright protection to 2D images of dresses in catalogs; and (2) nothing that it was alleged to infringe was copyrightable. Court disposed first argument, reasoning that registration of catalog as single work is commonly used to register 3D copyrightable items pictured in catalog, rather than 2D pictures themselves. Regarding second argument, court observed that, although it is well settled that dresses are useful articles, and thus are not typically copyrightable, elements of dress design may be protected where they are “physically or conceptually” separable. However, court found that no elements of dress design were physically or conceptually separable from plaintiff’s dress as whole. In particular, each element was only usable as component of dress, and had no value in its freestanding form, and thus was not physically separable. Regarding conceptual separability, court observed that Second Circuit had not established exclusive test, but under any of tests employed, none of dress elements were conceptually separable: (1) no elements invoked concept separate from clothing function; (2) elements — cloth swatch containing sequins and beads formed to compose bust portion of dress, ruched-satin fabric shaped into waistband, layers of tulle making skirt — did not reflect artistic judgment exercised independently of functional influences, but were choices directed to basic dress requirements; (3) primary role of each element was to contribute to attractiveness of prom dress, and aesthetic appeal was primary purpose of prom dress; and (4) none of elements had any independent marketable worth. Court noted that plaintiff, by arguing that individual elements are not copyrightable, but only their “selection, coordination, and arrangement,” undercut any argument that those ele-
ments were conceptually separable from dress itself. Accordingly, court granted defendant’s motion to dismiss.

C. Compilations and Derivative Works


Court denied defendant’s summary judgment motion. Plaintiff developed and sold Wise Choice and RightClick, business management software for jewelry and gem businesses. In 2005, plaintiff discovered that defendant was selling competing software program that plaintiff claimed infringed its copyrights in RightClick and Wise Choice, which were registered as derivative works of 1986 software program created by founder, president and sole shareholder of plaintiff company. Defendant argued that to establish infringement, plaintiff must prove that defendant copied original elements of Wise Choice and RightClick that were not part of 1986 program, and that without copy of original source code from 1986 program, plaintiff could not prove that defendant copied original elements of Wise Choice and RightClick. Court found that while copyright protection for derivative works only extends to original elements of derivative works, plaintiff did not need copy of original work in order to establish that certain elements of Wise Choice and RightClick were original; original aspects of works could be established through other means. Fact that plaintiff did not register copyright in original 1986 program was not fatal to infringement claim, since claim was based on copyright in derivative works, Wise Choice and RightClick.

III. OWNERSHIP

A. Works Made for Hire


District court granted plaintiff’s motion for summary judgment finding that iconic comic strips were works for hire under 1909 Act, and thus incapable of statutory termination and recapture by defendant. Plaintiff Marvel was well-known publisher of comics and related media. Defendants were heirs of legendary comic book artist Jack Kirby, who while working for defendant prepared iconic comic strips, including Spiderman, Incredible Hulk, Avengers and Fantastic Four. In 1972, Kirby assigned to Marvel any and all right, title, and interest that Kirby “may have or control” in any works created by Kirby for Marvel. Assignment also included acknowledgment that Kirby had created works as employee for hire. In 2009, defendants served plaintiff with 45 notices purporting to terminate Kirby’s assignment of his copyrights in number of Marvel’s editions. Mar-
vel commenced action seeking declaration that termination notices were nullity. Parties filed cross-motions for summary judgment, plaintiff arguing that there were no disputed issues of material fact that Kirby works were work for hire under 1909 Act, defendants arguing that there were disputed issues of material fact, but none that would prevent Court from finding that Kirby works were not works for hire. Since Kirby works were published between 1958 and 1963, court relied on 1909 Act, under which employer who hires another to create copyrightable work is author of work, absent agreement to contrary. Applying “instance and expense” test used by Second Circuit, court found that Kirby works were created at instance and expense of Marvel, and thus presumed works for hire, because Kirby did not create comic strips until assigned to do so; Marvel supervised creation of comic books from conception to publication and frequently exercised authority to ask artists to revise and edit their work before publication; Marvel generated plot and synopsis from which drawings were created; and Kirby received only fixed sum for his work, and no royalties. Court further found that defendants failed to rebut work-for-hire presumption, finding that only arguably possible agreement to contrary — 1972 assignment — merely referred to rights that Kirby “may have” in works, and furthermore included Kirby’s admission that he created works as employee for hire. Accordingly, court concluded that Kirby works were works for hire, and that defendant’s termination notices did not operate to convey any federally-protected copyrights in Kirby works to defendants.


Court denied plaintiff’s motion to dismiss infringement counterclaim. Plaintiff’s New Orleans French Quarter bar, Tropical Isle, for almost 25 years sold famous specialty cocktail known as Hand Grenade, served in green, translucent plastic “yard glass” container with oversized, bulbous, textured base shaped like grenade, with anthropomorphic features, including black oval eyes and upturned smile, and legend in bold, black lettering extending vertically down neck. Defendants, operators of competing French Quarter bar, Turtle Bay, sold souvenir cup and cocktail, The Turtle, that was “substantially similar” to Hand Grenade. Defendants, who had been involved in Tropical Isle in various capacities, started Turtle Bay after their relationship with proprietors of Tropical Isle had disintegrated. Plaintiff sued, alleging various unfair competition claims; defendants asserted counterclaims including copyright infringement, alleging that individual defendant Bohannan alone designed Hand Grenade yard cup and filed application to register his copyright in design. Tropical Isle moved to dismiss copyright infringement counterclaim on ground that, even taking
as true claim that Bohannan designed Hand Grenade cup, Bohannan did so while employed at Tropical Isle, and therefore design was work for hire. Determination whether work is work made for hire requires consideration of numerous factors to establish (1) whether party is “employee,” and (2) whether work was created in scope of employment, including whether work was type plaintiff was hired to perform; whether work was created substantially within authorized time and space limitation of job; and whether work was created at least partially for employer’s benefit. Court denied motion to dismiss because of fact-intensive nature of analysis.

B. Transfer of Ownership

*Fleischer Studios, Inc. v. A.V.E.L.A., Inc.*, 654 F.3d 958 (9th Cir. 2011)

Appellate court affirmed dismissal of copyright infringement claim due to lack of standing. Plaintiff was descendant of original Betty Boop artist. Artist had abandoned and sold cartoon and character rights in 1946, but family sought revival of business in 1970s, including repurchase or rights. Parties disputed plaintiff’s copyright ownership. Various chain-of-title theories were presented to district court, only one pursued on appeal. Parties agreed Betty Boop character was separate copyrightable component of 1930s films. Appeals court found contract for sale did not include character in plaintiff’s chain-of-title claim. Further, “doctrine of indivisibility” was inapplicable, as prior copyright owner could transfer (or retain) component parts of copyright when transferring entirety. Contract for sale was clear in intent, and contracting parties’ further actions confirmed that no transfer of Betty Boop character took place in plaintiff’s alleged chain of title. Because plaintiff could not show valid chain of title, plaintiff’s copyright claim failed, and was properly dismissed.

C. Joint Works and Co-Ownership


Plaintiff was widow and heir of Rex Woodard, who assisted defendant “Tommy” DeVito, member of The Four Seasons, in writing unpublished biography that was one basis for *Jersey Boys* musical. DeVito, without plaintiff’s knowledge, granted defendants Valli and Gaudio exclusive, irrevocable, perpetual, worldwide, assignable license to use and adapt materials including biographies for purpose of creating musical. Court denied plaintiff’s summary judgment motion for declaration that DeVito, as joint owner of work, lacked authority to issue exclusive license to Valli and Gaudio, rendering license void ab initio; or alternatively, that if license was effective, it was nonexclusive license that Valli and Gaudio could not
further license or assign without plaintiff’s consent; or alternatively, that license constituted transfer of DeVito’s rights in biography rather than license, but because DeVito did not assign all exclusive rights in biography, Valli and Gaudio could not further transfer rights without plaintiff’s consent. Court found that biography was joint work because DeVito made non-de minimis contributions. Moreover, court found that license was exclusive license as against DeVito, but nonexclusive license as against plaintiff, and that Valli and Gaudio could further assign license because of DeVito’s explicit permission to do so. Moreover, license did not transfer DeVito’s copyright to Valli and Gaudio, because although license purported to give exclusive rights to materials irrevocably and perpetually to Valli and Gaudio, license did not sufficiently identify work, which is necessary for copyright ownership in work to be transferred.

D. Contracts and Licenses


Ninth Circuit affirmed district court decision that defendant was not liable for infringement, and denial of plaintiff’s motion for partial summary judgment. Plaintiff contended that district court erred by rejecting its copyright claim after finding that plaintiff granted defendant nonexclusive license to publish its images. Court found that while transfers of copyright ownership, including exclusive licenses of copyrighted work, must be in writing, nonexclusive licenses are not considered transfer of ownership under Copyright Act and may be agreed upon orally or implied through conduct. Further, copyright owners granting nonexclusive licenses for use of copyrighted works generally waive right to sue licensees for copyright infringement and can sue only for breach of contract. Court found that parties’ conduct, that plaintiff delivered copyrighted material to defendant with intent that defendant would distribute it, demonstrated that plaintiff granted defendant ongoing nonexclusive implied license to use images for fee. Plaintiff never declined to give defendant nonexclusive license, supporting contention that implied license was granted by plaintiff to defendant. Further, defendant’s obligation to pay for copyrighted images, which arose only after images were published, was covenant rather than condition precedent which would trigger copyright infringement lawsuit. Therefore, district court correctly characterized defendant’s failure to pay plaintiff after publication as breach of contract rather than copyright infringement.
Court denied defendants’ motion for summary judgment. Defendants used plaintiffs’ photographs in marketing campaign. Plaintiffs brought claims of copyright infringement against defendants on basis that defendants failed to satisfy oral condition precedent to pay plaintiffs in full, preventing defendants from obtaining valid license to use plaintiffs’ photographs. Defendants argued that they could not be liable for copyright infringement because written agreement granted them irrevocable license to use photographs from shoot, and no oral condition precedent existed to agreement requiring them to pay plaintiffs in full before acquiring right to use photographs. Court denied defendants’ motion for summary judgment; although defendants brought forth evidence to support license to use photographs, plaintiffs produced evidence that fairly disputed license.


Court denied defendants’ motion for partial summary judgment on plaintiff’s infringement claim. Plaintiff and defendants formed TRP Entertainment in 2002 to produce live tribute show to Rat Pack. Plaintiff wrote script for show, and in 2005 registered copyright in script. Plaintiff’s involvement in show was terminated by defendants in 2009, whereupon plaintiff informed defendants that he terminated “any license or consent that may have been granted” in his copyrighted works. Plaintiff formed new production company to produce new Rat Pack tribute show, based on plaintiff’s original script. Defendants continued production of show and use of plaintiff’s copyrighted works. Court found that defendants failed to show that no material question of fact existed as to whether plaintiff granted them nonexclusive perpetual license that could not be terminated. Court found that plaintiff’s termination of “any license or consent that may have been granted” was not admission that he granted license, and that, even if license were granted, there was no evidence demonstrating that license was indeterminate. Finally, court found that mere existence of license did not preclude possibility of infringement because licensee could exceed scope of license, and reasonable jury could find that defendants’ use of copyrighted material exceeded any potential license.


Plaintiff was widow and heir of Rex Woodard, who assisted defendant “Tommy” DeVito, member of The Four Seasons, in writing unpublished biography that was one basis for *Jersey Boys* musical. DeVito, without
plaintiff’s knowledge, granted defendants Valli and Gaudio exclusive, irrevocable, perpetual, worldwide, assignable license to use and adapt materials including biographies for purpose of creating musical. Court denied plaintiff’s summary judgment motion for declaration that DeVito, as joint owner of work, lacked authority to issue exclusive license to Valli and Gaudio, rendering license void ab initio; or alternatively, that if license was effective, it was nonexclusive license that Valli and Gaudio could not further license or assign without plaintiff’s consent; or alternatively, that license constituted transfer of DeVito’s rights in biography rather than license, but because DeVito did not assign all exclusive rights in biography, Valli and Gaudio could not further transfer rights without plaintiff’s consent. Court found that biography was joint work because DeVito made non-de minimis contributions. Moreover, court found that license was exclusive license as against DeVito, but nonexclusive license as against plaintiff, and that Valli and Gaudio could further assign license because of DeVito’s explicit permission to do so. Moreover, license did not transfer DeVito’s copyright to Valli and Gaudio, because although license purported to give exclusive rights to materials irrevocably and perpetually to Valli and Gaudio, license did not sufficiently identify work, which is necessary for copyright ownership in work to be transferred.


District court granted defendant’s motion for summary judgment, finding creation of implied irrevocable nonexclusive license. Plaintiff initially purchased non-exclusive license to use certain works by artist Larry Ruppert in connection with sale of religious books. Plaintiff’s employee then commissioned Ruppert to modify works for use by defendant in connection with similar books. Plaintiff subsequently obtained exclusive license to original works from Ruppert, and sought to terminate whatever license defendant had in modified works. Plaintiff sued defendant, alleging that sale of books containing modified works infringed plaintiff’s copyrights in original works. In granting summary judgment for defendant, court applied three-prong test for creation of implied nonexclusive license, finding that (1) defendant’s employee commissioned Ruppert to create modified works on behalf of defendant; (2) Ruppert created modified works for defendant; and (3) Ruppert understood modified works were to be used by defendant. Since undisputed facts satisfied three-prong test, court held that “[defendant] received a non-exclusive license to use the Modified Works that, once conferred, insulated it from liability for infringement.” Court rejected plaintiff’s argument that defendant’s implied non-exclusive license fell under statute of frauds, finding statute of frauds did not apply where, as here, “the existence of a nonexclusive license is
implied by the conduct of the parties and asserted as an affirmative defense.” Moreover, court disagreed with plaintiff’s contention that defendant’s implied nonexclusive license was revocable, citing rule that nonexclusive license is irrevocable where, as here, license is supported by consideration.

IV. FORMALITIES

A. Registration

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

Ninth Circuit found defendants not entitled to summary judgment on ground that plaintiff’s copyright registration was invalid. Plaintiff sued defendants for infringement of its copyright in floral design called C30020. In 2002 Copyright Office issued certificate of registration for Small Flower Group A, group of five textile designs that included C30020. Small Flower Group A was registered as single unpublished collection pursuant to 37 C.F.R. § 202.3(b)(4)(i)(B). After commencing action, plaintiff learned that registration for Small Flower Group A contained error: two of five designs, but not C30020, had been published before date of registration. Plaintiff then filed application for supplementary registration to add April 1, 2002 as date of first publication for Small Flower Group A, and thereafter contacted Copyright Office to ask about its registration of single unpublished work that contained both published and unpublished designs. Copyright Office told plaintiff that unpublished designs, including C30020, would retain copyright protection but that previously published designs would not. Plaintiff filed second application for supplementary registration to remove two previously published designs from Small Flower Group A. Copyright Office approved application and issued supplementary registration certificate for Small Flower Group A. Defendants argued that registration was invalid because Small Flower Group A was registered as unpublished collection, but included two designs that were published before work was registered. Plaintiff argued that its erroneous inclusion of two previously published designs did not invalidate its registration because it did not intend to defraud Copyright Office and because Copyright Office allowed plaintiff to correct error through supplementary registration. Ninth Circuit agreed with plaintiff. Initial error in itself did not invalidate registration; there was no evidence that plaintiff knew that two designs had been published at time it submitted its application, or that it intended to defraud Copyright Office. Upon learning of error, plaintiff corrected it, filing application for supplementary registration, communicating with Copyright Office about error through email and phone correspondence, and filing second application for supplementary registration. Moreover,
Copyright Office issued certificate of supplementary registration. Office's decision to do so after it was told of two designs' prior publication shows that error was not one that "if known, would have caused Register of Copyrights to refuse registration." Plaintiff's registration error, accordingly, did not bar action against defendants for infringement of its copyright in C30020.


District court granted defendants' motion for summary judgment, finding plaintiffs failed to state claim upon which relief could be granted. Plaintiffs alleged that defendants infringed their copyright in particular sound recording of song \textit{Last Night Changed It All (I Really Had a Ball)}. Plaintiffs had copyright registration for "musical work" but not for particular "sound recording" in question. "A ‘sound recording’ and a ‘musical composition’ of the same song are not the same thing for copyright purposes." There was no registration attached to complaint for sound recording, which was what plaintiffs alleged had been infringed. Plaintiffs accordingly had not adequately alleged facts to support their claim of registration and ownership of copyright in sound recording of song. Court, therefore, dismissed claim of copyright infringement in sound recording.

\textbf{B. Restoration}


Orchestra conductor and others brought constitutional challenge to Section 104A, which restored copyright in certain non-U.S. works that had lapsed into U.S. public domain for technical reasons such as failure to renew, publication without notice, or lack of copyright relations between U.S. and source country of work. Petitioners argued, inter alia, that statute was violation of their First Amendment free speech rights because it impaired their ability to make unfettered use of musical compositions they had previously performed, published and recorded without restriction. Supreme Court, agreeing with initial district court decision, found that under \textit{Eldred v. Ashcroft}, 537 U.S. 186 (2003), no separate First Amendment scrutiny is required. Restoration statute did not alter "traditional contours of copyright protection" because it left undisturbed fair use doctrine and idea-expression distinction; \textit{Eldred}'s "traditional contours" language refers to these two principles and nothing more. Moreover, Court rejected petitioners' argument that they had “vested First Amendment interest” in restored works. Initial Tenth Circuit opinion had raised “vested interest” argument as way to distinguish \textit{Eldred}, saying that once work enters public domain its restoration does more harm to free speech than
did mere extension of existing protection at issue in *Eldred*. For *Golan*
Court, however, public domain had no “constitutional significance,” and
vested rights formulation urged by petitioners seemed “exactly back-
wards.” Rights typically vest in author or rightholder at *outset* of copy-
right protection; once term of protection ends, rights do not revest in any
rightholder. Instead, works simply lapse into public domain. Anyone has
free access to public domain, but no one, after copyright term has expired,
acquires ownership rights in once-protected works. Court cited long series
of prior legislative acts granting protection to previously uncopyrightable
works, and rhetorically inquired, “[i]f Congress could grant protection to
these works without hazarding heightened First Amendment scrutiny,
then what free speech principle disarms it from protecting works prema-
turely cast into the public domain for reasons antithetical to the Berne
Convention?” Majority concluded its First Amendment discussion by not-
ing that restored works do not become inaccessible or cease to serve broad
public interest simply because they are protected by copyright; they
merely become subject to licensing in commercial marketplace. Justice
Breyer’s dissent dealt mostly with petitioners’ alternative argument that
restoration act was invalid under Copyright Clause of Constitution be-
cause it did not induce creation of new works. Dissent also explicitly took
issue with majority’s First Amendment analysis, specifically as to need for
some heightened First Amendment review of copyright statutes even
where, as here, they leave works fully subject to “traditional contours” of
fair use and idea-expression dichotomy.

V. INFRINGEMENT

A. Access

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

Ninth Circuit reversed district court’s grant of summary judgment to de-
fendants, finding genuine issue of material fact on access. Plaintiff sued
defendants for infringement of its copyright in floral design called C30020.
District court granted defendants’ motion for summary judgment, holding
that there was no genuine issue of material fact as to defendants’ access to
C30020, because “only evidence of widespread dissemination” was decla-
ration stating that plaintiff first sold C30020 in October 2002 and “pro-
duced and sold thousands of yards of fabric” bearing C30020 to numerous
customers from 2002–2008. District court concluded that declaration
statements created no more than “bare possibility” that defendants may
have had access to C30020, and that “bare possibility” was insufficient to
create genuine issue on access. Ninth Circuit found, however, that decla-
ration statements were not only evidence of widespread dissemination; re-
cord also contained sales records showing that plaintiff sold more than
50,000 yards of C30020 through May 2006, before defendants ordered al-
legedly infringing items. Court concluded that plaintiff’s sale of more than
50,000 yards of C30020 created genuine dispute of material fact as to
whether C30020 was widely disseminated. Evidence required to show
widespread dissemination will vary from case to case. Here, parties oper-
ated in same industry in same Los Angeles area. Dissemination of C30020
occurred over four-year period immediately preceding defendants’ alleged
infringement. Reasonable jury could find that C30020 was widely dissemi-
nated in Los Angeles-area fabric industry, and hence that there was “rea-
sonable possibility” that defendants had opportunity to view and copy
plaintiff’s design.

B. Copying and Substantial Similarity

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

Ninth Circuit reversed district court’s grant of summary judgment to de-
fendants, finding genuine issue of material fact on substantial similarity.
Plaintiff sued defendants for infringement of its copyright in floral design
called C30020. District court granted defendants’ motion for summary
judgment, holding that there was no genuine issue of material fact as to
substantial similarity between defendants’ allegedly infringing design and
C30020. District court compared copy of C30020 that plaintiff deposited
with Copyright Office to defendants’ allegedly infringing shirts and con-
cluded that no reasonable juror could find that two works were substan-
tially similar. District court reasoned that “observable similarities”
between designs were “of surface nature only,” in that both designs repre-
sented small-scale overall floral patterns of approximately same size. Dis-
trict court stressed “critical differences” between designs: (1) flowers,
stems, and leaves on C30020 were “far more detailed” than those on de-
fendant’ items; (2) on C30020, multiple shades of color were used to give
flowers definition and sharper edges, with multiple shades of green used to
give leaves and stems definition and clean lines, while on allegedly infring-
ing design, flowers were of one uniform color, with leaves and stem single
shade of green; (3) C30020 contained overall background pattern that was
completely lacking on defendants’ design; and (4) groupings of flowers,
stems, and leaves were “spaced much farther apart” on C30020 than on
defendants’ design. Ninth Circuit’s comparison of designs led, however, to
conclusion that reasonable juror could find that two designs were substan-
tially similar. Court noted that “[t]hough the Second Circuit’s ‘ordinary
observer’ and ‘more discerning ordinary observer’ tests differ somewhat
from our two-part extrinsic/intrinsic test for substantial similarity, its rea-
soning, at least in the context of fabric designs, is persuasive, and it guides
our comparison of the designs in this case.” Idea of floral pattern depicting bouquets and branches is not protectible, court noted, and C30020 had elements that were not protectible, e.g., combination of open flowers and closed buds in single bouquet or green color of stems and leaves. However, plaintiff’s original selection, coordination, and arrangement of such elements were protectible. Because there is wide range of expression for selecting, coordinating, and arranging floral elements in stylized fabric designs, copyright protection is “broad,” and work will infringe if “substantially similar” to copyrighted work. Court’s own comparison of designs revealed objective similarities in protectible elements. Both patterns featured two types of small bouquets of flowers, one featuring largest flower in profile view, other featuring largest flower in open-face view, and both emerging from three buds. Both patterns also depict small, three-leaf branches interspersed between two types of bouquets. Shape and number of flower petals and leaves are similar in two designs. Bouquets are arranged at similar angles in both designs, and bouquets and branches coordinated in similar spatial combinations on grid of similar scale and layout. Differences noted by district court did not compel conclusion that no reasonable juror could find that defendants’ design was substantially similar to C30020. Rather, in light of similarities described above, differences support opposite conclusion, that there is genuine dispute of material fact on substantial similarity. Rational jury could find that differences result from fabric-printing process generally and are “inconsequential.” Because stylized fabric designs like C30020 are properly entitled to “broad” copyright protection, it is not necessary that defendants’ design be “virtually identical” to infringe. It is enough that defendant appropriated substantial portion of plaintiff’s work. Rational jury could find that despite some differences between defendants’ design and C30020, similarities in selection, coordination, and arrangement of bouquets and three-leaf branches were sufficiently substantial to support inference of copying. Objective similarities in expressive elements of defendants’ design and C30020 presented genuine dispute of material fact under extrinsic test. Accordingly, issue of substantial similarity must go to jury.

_Airframe Systems v. L-3 Communications Corp._, 658 F.3d 100 (1st Cir. 2011)

First Circuit affirmed district court’s order granting summary judgment for defendant, finding that plaintiff produced insufficient evidence to create genuine issue of material fact regarding necessary element of substantial similarity. Plaintiff developed proprietary aircraft maintenance tracking software (ARMS) and had continually modified and expanded ARMS source code. In 2003, plaintiff registered four versions of ARMS source code. In 1986, plaintiff started licensing ARMS to defendant, with license
limited to use of ARMS in compiled object code format. In 2003, plaintiff discovered, on defendant’s computers, unspecified version of ARMS source code, which allegedly was copied by plaintiff’s employee without authorization. Subsequently, plaintiff initiated series of copyright infringement suits, alleging that defendant copied ARMS source code to create replacement maintenance program M3 by translating ARMS source code, and that defendant used plaintiff’s proprietary report formats, menu terms and headings, and user interfaces. Defendant moved for summary judgment, contending that plaintiff failed to produce sufficient evidence to support claim of copyright infringement. Plaintiff opposed, relying on undisputed access by defendant to unspecified versions of ARMS and declaration by principal designer of ARMS, who compared about 15% of M3 source code and most current version of ARMS source code (2009 version), finding some portions to be identical “down to the use of improper hyphenation and misspelled words that appeared in the original ARMS program,” and programmers’ comments. District court agreed with defendant, finding that comparing updated ARMS source code with allegedly infringing M3 source code would not do as matter of logic, and that plaintiff failed to produce relevant source code, and granted defendant’s summary judgment motion. Plaintiff appealed. First Circuit reasoned that plaintiff was required to present sufficient evidence of copying, including substantial similarity, with respect to at least one of ARMS source code versions covered by registrations at issue. However, plaintiff compared only 2009 version of ARMS to M3 source code, without claiming that 2009 version was registered or that it was same as one of registered versions at issue. First Circuit further reasoned that 2009 version could not be same as ones at issue because it was updated in ordinary course of business. Accordingly, First Circuit affirmed district court’s decision.


Plaintiffs brought suit for infringement of copyrighted “tree-house-in-one-tree” designs and related illustrations, featured in children’s book, against publisher of book that similarly taught how to build “basic” tree house in single tree. Defendants moved to dismiss complaint on ground that works at issue were not substantially similar. Court granted defendants’ motion, finding that plaintiffs’ and defendants’ works were not substantially similar as matter of law. Court held that any alleged similarities between plaintiffs’ and defendants’ works (e.g., concept of tree house built in single tree; idea for tree house with four short walls, pyramid-shaped roof, and trapdoor) were nonprotectible ideas. With respect to protectible elements, court found that literary expression of two works differed significantly (e.g., use of short captions versus paragraphs of text) such that “the total
concept and overall feel of the respective chapters on tree houses is
distinct,” and further found that visual comparison of plaintiffs’ and defend-
ants’ illustrations revealed “significant aesthetic differences” (e.g.,
differences in angles used, amount of trees featured in illustrations, and
inclusion of children in illustrations) such that “the overall feel varies,
namely in that plaintiffs’ illustrations . . . are much more animated than
defendants’, which come across as more utilitarian.”

(S.D.N.Y. Sept. 12, 2011)

Court granted declaratory judgment plaintiffs’ motion to dismiss infringe-
ment counterclaim, finding Kesha’s popular hit song “Tik Tok” not sub-
stantially similar to defendants’ lesser known musical composition “My
Slushy.” Plaintiffs brought action for defamation in response to defend-
ants’ “smear campaign” on internet alleging Kesha’s single infringed de-
fendants’ song, which was played on popular on-line video game.
Defendants counterclaimed, alleging that plaintiffs had access to “My
Slushy” through connection with producers. Plaintiffs moved to dismiss
counterclaim. Even though recordings were not attached to complaint or
counterclaim, under Rule 12(b)(6) court may consider “documents that
the plaintiffs either possessed or knew about and upon which they relied in
bringing suit.” Court therefore analyzed actual recordings, and found that
“no average lay observer would recognize [Tik Tok] as having been appro-
priated from [My Slushy].” Court first analyzed lyrics, finding songs only
shared one non-trivial word, “drop top,” which was not protectable. Court
also analyzed overall theme of lyrics, finding themes “completely differ-
ent.” Plaintiffs’ song is about girl going out on town, while defendants’
song is about girl quenching her thirst. Court finally analyzed music of
works, finding even though both incorporate woman in sing-song type of
voice, “My Slushy” is in major key, while “Tik Tok” is darker, in minor
key. Songs shared same rhythmic pulse, which was not copyrightable.
Court did not reach analysis of actual copying, finding defendants’ coun-
terclaim failed under substantial similarity standard incorporated in un-
lawful appropriation analysis.

Gordon v. McGinley, No. 11-1001, 2011 U.S. Dist. LEXIS 92470
(S.D.N.Y. Aug. 18, 2011)

Court granted defendants’ motion for summary judgment dismissing plain-
tiff’s copyright infringement claim. Plaintiff was professional photographer
who had practice photography for more than 15 years; her work had
appeared in such major venues as Whitney Museum. Defendants were
rival photographer, and various art galleries that had sold his work. De-
fendants moved to dismiss copyright claims based primarily on absence of
Selected Annotated Cases

substantial similarity. Court, employing “ordinary observer” test, found that “total look and feel” of defendant photographer’s works did not match that of plaintiff’s works. Court rejected testimony of plaintiff’s experts; although courts have occasionally permitted expert testimony on substantial similarity in technical fields such as computer programming, such exceptions are “not intended to disturb the traditional role of lay observers in judging substantial similarity in copyright cases that involve the aesthetic arts, such as music, visual works or literature.” As district court could not find substantial similarity between works, summary judgment dismissing complaint was appropriate.


District court denied defendants’ motion to dismiss. Plaintiff was artist, photographer and director, who alleged that defendants, pop star Rihanna, Island Def Jam Music Group, et al., used protected expression from eight of his photographs in Rihanna’s music video S&M. Plaintiff’s complaint alleged direct evidence of actual copying — that storyboards for music video contained prints of plaintiff’s photographs — and circumstantial evidence of actual copying — that defendants had access to and were aware of photographs through prior collaborations with plaintiff, and through various publications containing plaintiff’s photographs. Further, S&M video contained similarities to photographs probative of copying. Plaintiff also successfully alleged that his photographs contained protectible elements, because he selected and orchestrated his photographic subjects’ themes, props, wardrobes and color schemes, as well as certain lighting, poses and angles that extended beyond elements of photographs that “flow naturally and necessarily” from S&M as subject matter. S&M video had substantial similarities to protectible elements in photograph, e.g. hot-pink and white striped walls, hot-pink ceiling, man wrapped in black tape, and women wearing frizzy red wigs. Defendants argued that despite similarities in works, differences in works precluded finding substantial similarity. However, actionable copying is determined by “total concept and feel” of works, and need not relate to every detail of works. Accordingly, court found that because “both works share the frantic and surreal mood of women dominating men in a hyper-saturated, claustrophobic domestic space,” ordinary observers would overlook differences between works and regard aesthetic appeal as same.


In 2006, plaintiff wrote treatment and pilot script entitled “Loony Ben,” and circulated it to television producers, directors, executives and agents. In 2009, defendants debuted Modern Family on ABC network. Plaintiff’s
pilot script story followed individual, and activities of his extended family. *Modern Family* was mock-documentary following large extended family with three distinct units. Plaintiff alleged that defendants’ *Modern Family* infringed his treatment and pilot script. Defendants filed motion to dismiss. Court found that no reasonable jury could find substantial similarity between plaintiff’s script and defendants’ show. Court analyzed whether ordinary observer would find two shows similar, considering “plot, characters, total concept and feel (mood), setting, format and pace.” Court found that plot similarities were common to situation comedies, and not subject to copyright protection. After analyzing various characters developed within each show, court rejected any stock character similarities, holding any shared attributes or traits to be so common as to be unprotectible. Similarly, setting of both shows in Los Angeles was unprotectible, as many shows are set there. Shows did not share format or pace, and use of slapstick comedy was not protectible. Court found that even total concept and feel of both shows were different; therefore, no reasonable jury could find substantial similarity, and plaintiff’s copyright claim was dismissed.

C. Contributory/Vicarious Infringement

*Capitol Records, Inc. v. MP3Tunes, LLC, 821 F. Supp. 2d 627 (S.D.N.Y. 2011)*

District court granted in part and denied in part plaintiffs’ motion for summary judgment. Plaintiffs, record companies and music publishers, brought copyright infringement action against defendants. Individual defendant, “online music entrepreneur familiar with high-stakes copyright litigation,” ran two websites, one that had online storage “locker” service through Internet links to songs, and another related website that allowed users to search for free music files on Internet. Defendants’ service also began to allow users to retrieve and display cover art, with link to Amazon.com to drive traffic there. Users of defendants’ locker services had to agree to terms of use that included prohibition against storage of materials that infringe copyrights. Plaintiffs, pursuant to DMCA, sent defendants takedown notices identifying some song titles that allegedly infringed plaintiff’s copyrights, and requesting that defendant take down all plaintiffs’ copyrighted works. Defendants removed links to specific web addresses, but not songs from specific user lockers, and asked plaintiffs to identify other infringing links. Court found that defendants were generally protected by DMCA safe harbor, as they complied with its requirements. Defendants tracked source and web address of stored copyrighted material and took down after receiving proper takedown notice, and were not required to take down those songs not listed by plaintiffs; however, defendants did not qualify for protection for not disabling links to materi-
als located in users’ lockers. Court found that defendants did not have specific “red flag” knowledge of infringement, did not receive direct financial benefit or controlled infringing activity. Defendants thus qualified for safe harbor protection under DMCA. Court, however, found defendants liable for contributory infringement with respect to songs listed in take-down notices and not removed from users’ lockers. Defendants had knowledge of unauthorized use via three takedown notices, and continued to provide access to unlawfully downloaded material.


Plaintiff, producer and distributor of adult entertainment DVDs, brought infringement action against operator of website known as “myVidster,” which allows users to post (or “bookmark”) video clips onto site through “inline linking” process. Court previously granted preliminary injunction in favor of plaintiff upon finding that plaintiff was likely to succeed on merits of contributory infringement claim against defendants. Defendants moved for reconsideration of decision on ground that actions of myVidster users did not constitute direct infringement under Perfect 10, Inc. v. Amazon.com, Inc., 508 F.3d 1146 (9th Cir. 2007). Court denied defendants’ motion for reconsideration, holding Perfect 10 inapplicable to instant case. Court distinguished Perfect 10 by stating that its finding of no direct infringement was based on fact that process used by Google to display user search results through inline linking was automatic in nature. In contrast, although instant case also involved inline linking, myVidster users personally selected and submitted videos for bookmarking onto defendants’ website, such as to cause unauthorized display of protected work whenever such users clicked “play.” Individualized actions by myVidster users therefore constituted direct infringement, subjecting defendants to potential liability for contributory infringement.


District court granted plaintiff’s motion for summary judgment, finding defendant vicariously liable for willful copyright infringement. Plaintiffs, copyright owners who granted ASCAP nonexclusive right to license nondramatic performances of their copyrighted musical compositions, sued defendants, corporation and its two principals who operated radio station, alleging copyright infringement resulting from defendants’ repeated broadcasting of plaintiffs’ compositions without license from ASCAP or payment of license fees. Following death of one principal defendant, remaining defendant moved to dismiss on ground that he could not be personally liable because there was no basis to pierce corporate veil. Court,
finding defendant's argument irrelevant, held that “[v]icarious liability may be imposed for copyright infringement even if the evidence is not sufficient to pierce the corporate veil.” Here, court found that remaining principal defendant had both right and ability to control infringing conduct of radio station, including programming, and had direct financial interest in activities of defendant corporation and activities of radio station. Since defendant did not otherwise contest allegations of infringement in motion to dismiss, court held defendant vicariously liable for copyright infringement.


District court granted in part and denied in part defendants’ motion to dismiss, finding that plaintiffs failed to allege all elements necessary to support claim of direct infringement, but properly pleaded secondary infringement claim. Plaintiffs were major motion-picture studios that created and distributed films, for which they owned copyrights. Defendants were Panamanian corporation and individual that operated website hotfile.com. Visitors to website uploaded electronic files, which were then stored on defendant’s servers, and received in return unique links to copies of uploaded files that allowed users to download uploaded file. Defendants made profits by charging for faster downloads and membership. Defendants paid users to upload most popular content to its servers, and asked users to promote their links. Most popular links, and bulk of files downloaded from hotfile.com, contained material in copyright. Defendant had physical control over its servers and premises, and could block anyone’s access to hotfile.com. Plaintiffs sued defendant for direct and secondary copyright infringement. Defendants filed motion to dismiss claims arguing that plaintiffs failed to state their case under either theory. Court dismissed plaintiff’s argument that defendants, by creating business plan that induced infringement, were liable for direct infringement, reasoning that merely owning and managing Internet facilities that allow others to upload and download copyrighted material is insufficient to establish direct infringement. Court concluded that complaint failed to allege that defendants took direct, volitional steps to violate plaintiff’s copyrights. Accordingly, court concluded that plaintiffs failed to plead direct infringement claim. Regarding secondary liability, court found that allegations that defendants promoted copyright infringement and took affirmative steps to foster infringement, by creating structured business model that encourages copyright infringement, were sufficient to plead induced and contributory infringement claims. Court found further that because complaint alleged that defendants (1) had complete control over servers that users employ to infringe; (2) had the technology necessary to stop this type
of infringement; (3) refused to stop massive infringement; and (4) actually encouraged infringement because it increases profits, plaintiff properly pleaded claim for vicarious infringement.


District court granted in part and denied in part plaintiff’s motion for summary judgment, as to vicarious liability of defendant company’s owners. Plaintiff residential design firm made and sold house plans that were available through magazines, publications and Internet. Plaintiff claimed defendants, construction company and its principals, infringed plaintiff’s registered designs when building house in 2003. Defendants disputed that plaintiff could show ownership of valid copyright in two designs at issue. Plaintiff asserted infringement claim based on architectural work, which can include plans but not technical drawings (which would require separate registration). Defendants challenged originality; however, court found originality of plaintiff’s plans was question of fact inappropriate for summary judgment. Additionally, court could not find as matter of law defendant had access to plaintiff’s plans and whether there was substantial similarity between designs. As defendant construction company had two employees who were other co-defendants, court found that since defendants did not rebut plaintiff’s argument of receiving all financial benefit of construction company, individual defendants could be vicariously liable for construction company’s infringement.

D. Miscellaneous

*Sony BMG Music Entertainment v. Tenenbaum*, 660 F.3d 487 (1st Cir. 2011)

Plaintiffs, major U.S. recording companies, brought suit for infringement against defendant Joel Tenenbaum, based on his longstanding use of filesharing software (“peer-to-peer networks”), whereby he had committed unauthorized downloading and distribution of literally thousands of songs in privacy of his own home. Lower court found that defendant infringed 30 copyrighted works owned by plaintiffs due to his downloading and distribution activities. Defendant appealed decision on ground that he could not be found liable for infringement based on mere “consumer copying.” Court rejected argument and affirmed finding of liability, holding that under text and plain meaning of Act, there was no provision immunizing defendant from liability if purpose of his actions was noncommercial in nature. Court held that Act makes no distinction between “consumer” and “non-consumer” infringement of protected materials; instead, Act refers to “anyone” as potential infringers and permits
owners to pursue actions against “any infringement.” Defendant could therefore be subject to liability under Act based on his unauthorized use of copyrighted works.

VI. DEFENSES/EXEMPTIONS

A. Fair Use

Brownmark Films, LLC v. Comedy Partners, 682 F.3d 687 (7th Cir. 2012)

Plaintiff was small film producer that scored unexpected “viral” video hit on YouTube with gay-themed dance number called What What in the Butt (hereafter, “WWITB”). In video, featured performer, professionally known as Samwell, dances on distinctive red, white and blue stage, occasionally being shown in close-ups as he nibbles on large chocolate heart or turns to reveal words “What What” spelled out in sequins on seat of pants. Defendant’s video, part of episode of satirical animated series South Park, likewise featured one of principal characters, particularly naïve nine-year-old boy named Butters, dancing to same song, on red, white and blue stage, intercut with close-ups of chocolate heart nibbling and “What What” lettering on back of his pants. Plaintiff sued, claiming infringement based defendant’s distribution of South Park episode on television, through South Park website, iTunes, Amazon.com, and on DVD and Blu-Ray. Complaint referenced works at issue, but did not attach them. Defendant moved to dismiss under Rule 12(b)(6), attaching copies of works and claiming that its video was fair use parody of plaintiff’s. District court, observing that “context is king” in fair use cases, granted motion. Accordingly, court focused on whether defendants’ use of copyrighted material in context of episode was fair use. Viewing works satisfied court that use of WWITB video was fair use under § 107. Therefore, allegations of complaint and materials expressly referenced in complaint set forth everything necessary to satisfy affirmative defense; dismissal was warranted because complaint was purely speculative. Court also found nothing wrong with resolving fair use question on 12(b)(6) motion; given scope and nature of alleged infringement, coupled with “rather obvious” resolution of substantive underlying issue, court concluded dispute did not warrant putting defendant through expense of discovery. Court noted that plaintiff’s opposition to dismissal motion dealt solely with procedural issue of reaching affirmative defense at 12(b)(6) stage. Plaintiff had “not even bothered” to address substance of fair use question, providing court with no indication of any evidence or factors outside of episode in question that could possibly influence resolution of fair use issue in plaintiff’s favor. Seventh Circuit affirmed, stating, “This is a case about how a court may
dispose of a copyright infringement action based on the fair use affirmative defense while avoiding the burdens of discovery and trial.” Court *sua sponte* considered propriety of reviewing video clips at issue, since they had not been attached to complaint. Defendants below had relied on incorporation-by-reference doctrine to avoid violating Rule 12(d), which requires that Rule 12(b)(6) or 12(c) motions containing materials outside of pleadings be converted into motions for summary judgment. Seventh Circuit observed that no court of appeals had ruled that content of television programs and similar works may be incorporated by reference, but thought “it makes eminently good sense to extend the doctrine to cover such works, especially in light of the technological changes that have occasioned widespread production of audio-visual works. . . . District courts need not, and indeed ought not, allow discovery when it is clear that the case turns on facts already in evidence.” Court concluded that pre-discovery dismissal may be proper on basis of affirmative defense, typically through Rule 12(c) motion for judgment on pleadings. However, rather than decide whether videos may be incorporated by reference in defendant’s motion to dismiss, Seventh Circuit elected to treat defendant’s motion as motion for summary judgment. Turning to fair use issue, Seventh Circuit stated that since plaintiff never opposed fair use argument in district court, court considered argument waived. But even if argument were not waived, district court was correct to find in defendant’s favor. *South Park* episode was “clearly a parody of the original WWITB video, providing commentary on the ridiculousness of the original video and the viral nature of certain YouTube videos. This kind of parodic use has obvious transformative value.” As to fourth factor, market harm, parody could not have actionable effect on potential market for or value of original video. As *South Park* episode aptly pointed out, there was no “Internet money” for video itself on YouTube, only advertising dollars that correlated with number of views video had. Parody’s likely effect, ironically, would only increase ad revenue. Any effect on derivative market for criticism was not protectable, and plaintiff failed to give district court or court of appeals any concrete suggestion about potential evidence indicating that *South Park* parody had cut into any “real market (with real, non-Internet dollars)” for derivative uses of original WWITB video.


Plaintiff brought suit for infringement of literary work, alleging that defendant had uploaded work to website without plaintiff’s authorization. Defendant moved for summary judgment, arguing that its use of copyrighted work was protected by fair use. After analyzing statutory factors governing fair use, court granted defendant’s motion and dismissed case. First, court found that defendant did not profit from his use of copyrighted
work, and that such noncommercial use was presumptively fair. Second, scope of fair use was greater since work was editorial containing “a significant informational element,” as opposed to purely creative works within core of intended copyright protection. Third, plaintiff did not present any evidence that market for copyrighted work had been harmed due to defendant’s conduct. Although defendant reproduced entire work, which weighed against finding of fair use, on balance defendant’s use was deemed fair.

Brownmark Films, LLC v. Comedy Partners, 800 F. Supp. 2d 991 (E.D. Wis. 2011)

District court granted defendant’s motion to dismiss, finding plaintiff’s barred by fair use doctrine, where videos in question were expressly referred to in complaint. Court found that defendant used parts of plaintiff’s video to not only poke fun at video, but also to comment on social trend, solidifying defendant’s work as parody. Plaintiff was co-owner of copyright in music entitled What What (In the Butt) (WWITB), four-minute ditty regarding singer’s derriere. Video featured adult African American male, dressed in bright red, half-buttoned silk shirt, dancing, grinning and singing phrases featuring “butt.” Defendants were entities involved in production of South Park. Plaintiff sought damages and injunctive relief for infringement based on South Park episode in which one of characters, nine-year-old Butters, is coaxed by his friends to record Internet video in hopes of making “Internet money.” In episode, Internet video lasts 58 seconds out of 25 minutes and replicates parts of WWITB video, with Butters singing WWITB’s central lines while dressed as teddy bear, astronaut and daisy. In episode, video goes viral, however, South Park’s fourth graders attempts to collect “Internet money” are fruitless. Defendants filed motion to dismiss, arguing that use of plaintiff’s video was fair use, and submitting copies of plaintiff’s and defendants’ videos to court. Court determined that although videos were materials outside pleadings, they could be considered because they were central to plaintiff’s claim, and plaintiff referred to them in complaint. Court further observed that, although evaluating affirmative defense at pleading stage is unusual, given limited scope and nature of alleged infringement — use of WWITB in context of episode only — it was appropriate. Applying statutory factors and principles underlying fair use doctrine, court concluded that defendants’ use was fair. In particular, court reasoned that defendants used parts of plaintiff’s video to not only poke fun at video by replacing African American adult male singer with innocent nine-year-old dressed in adorable outfits, but also to comment on bizarre social trend by showing fourth graders discovering that, while society is willing to watch absurd videos on Internet, it assigns little monetary value to such works, thus establishing
defendants’ work as classic parody. Court further noted that defendants’ use of WWITB in episode was relatively insubstantial because it was derivative work, cartoon, and used less than third of original work; and that there was little risk that defendants’ work would somehow usurp market demand for original. Court, accordingly, granted defendants’ motion to dismiss.


District court granted defendants’ motion for summary judgment, finding fair use defense insulated defendants against plaintiff’s copyright infringement claim. Plaintiff was well-known Cuban author and journalist who created approximately 10–12 hours of video of certain events in Angola related to high-ranking members of Castro’s military (who were ultimately sentenced to death for “atrocities . . . against the state”). Two hours of video were registered, 10 months after clips were first aired, entitled Angola 1988/1989. Plaintiff eventually sought asylum in United States without videotapes and, after reacquiring control, tried to commercialize videos between 1994 and 2008. Defendants acquired video footage shot by plaintiff from third party in summer of 2008. Defendants’ show host, Maria Elvira Salazar, aired portions of Angola 1988/1989 on her show, including after being warned by plaintiff’s wife that clips belonged to her husband. Court found use was news reporting under preamble of statute; subject matter was of historical importance and never seen before. Use was transformative; defendants did not merely show Angola 1988/1989, but edited clips and added commentary. Nature of work was factual, and plaintiff did exercised only minimal direction over work. Despite using much of two hours of registered material, selected 60-minute scenes could not be considered fundamental to work. Effect on market value weighed slightly in plaintiff’s favor, but court noted that defendants’ use may have enhanced market value by generating interest. Potential harm to market value could not overcome weight of first three factors in favor of defendants. Thus, summary judgment was granted.

_B. Statute of Limitations_


District court granted defendants’ motion to dismiss plaintiffs’ second amended complaint, but reluctantly granted plaintiffs limited leave to amend complaint third time. Plaintiffs, building designer who registered copyrights in original architectural home designs, brought suit for copyright infringement against 90 defendants, including homeowners, in con-
nection with homes built using plaintiffs’ designs. After over 75 defendants were dismissed from action as not amenable to suit, some remaining defendants filed motion to dismiss second amended complaint, alleging that plaintiffs’ claims were barred under three-year statute of limitations pursuant to § 507(b). Court, anticipating further motions to dismiss, ordered limited discovery deposition of plaintiffs on issue of accrual of plaintiffs’ causes of action. Defendants argued accrual is governed by “injury rule”; i.e., “a claim accrues at the time of the infringement.” In contrast, plaintiffs argued accrual is governed by “discovery rule”: “a copyright claim begins to accrue when plaintiff ‘knows or has reason to know of the injury upon which the claim is premised.’” Without deciding issue of accrual, court noted “its receptiveness to the discovery’s rules continued viability,” reasoning that “as to civil copyright claims, the discovery rule best comports with the text and structure of the Copyright Act.”


Plaintiffs brought suit for infringement of furniture designs. Defendants moved for summary judgment, based in part on ground that plaintiffs were barred from recovery of damages under three-year statute of limitations. Court rejected defendant’s argument upon adopting “discovery rule” (in accord with sister district court) which holds that plaintiff may recover damages for infringement that occurred more than three years prior to bringing suit, provided plaintiff was unaware of infringement and its lack of knowledge was “reasonable” under circumstances. Court found summary judgment inappropriate since there was disputed issue of material fact regarding plaintiffs’ knowledge of defendants’ infringement.

C. First Sale Doctrine

*John Wiley & Sons v. Kirtsaeng*, 654 F.3d 210 (2d Cir. 2011)

Second Circuit held that goods manufactured abroad and imported into U.S. without authorization from copyright owner cannot qualify for “first sale” defense. Plaintiff published, inter alia, scientific and educational textbooks for sale domestically and abroad. Although content of books was generally same whether for domestic or international sale, copies of books manufactured for international market often had significant variations in design and printing materials, as well as variations in quality of photographs and graphics. Plaintiff’s foreign editions generally contained bold legend stating, *e.g.*, “Authorized for sale in Europe, Asia, Africa and the Middle East Only.” Plaintiff thus divided markets territorially, granting exclusive licenses to third parties or affiliates territory-by-territory, in effort to maximize total revenues derived from worldwide exploitation of
rights. Second Circuit noted that § 602(a) of Act was “obviously intended to allow copyright holders some flexibility to divide or treat differently international and domestic markets for a particular copyrighted work.” Court also observed that purpose of § 602(a) would be defeated in most cases if § 109(a) defense could be asserted with respect to lawfully-made goods manufactured abroad. In that event, only piratical or other unlawful or unauthorized copies made abroad would fail to qualify for defense. Defendant Kirtsaeng moved to U.S. from Thailand in 1997 to study. Kirtsaeng claimed that to fund his education he sold plaintiff’s foreign edition textbooks, printed in Asia, which his friends and family shipped to him in U.S. Plaintiff sued Kirtsaeng for copyright infringement. Jury found Kirtsaeng liable for willful infringement, and awarded plaintiff statutory damages of $75,000 for each of eight works infringed, and district court issued permanent injunction. On appeal, Second Circuit in 2-1 decision upheld both district court’s ruling that first sale defense did not apply and jury’s statutory damage award. Court stated that “threshold question is whether, pursuant to § 109(a) of the Copyright Act . . . the District Court correctly determined that the phrase ‘lawfully made under this title’ does not include copyrighted goods manufactured abroad.” Court relied primarily on text of § 109(a), “structure of Copyright Act,” and Supreme Court opinion in Quality King Distributors v. L’anza Research International, 523 U.S. 135 (1998). Plaintiff contended that because books were manufactured outside United States, they were not “made under this title.” Therefore, goods made abroad were not subject to first sale defense. Kirtsaeng argued that as long as books were manufactured pursuant to arrangement that would be lawful had U.S. law applied, e.g., under authority of copyright owner, copies should be considered lawfully made under Title 17. Court concluded that phrase “lawfully made under this title” was unclear and could be read to favor either interpretation. Court next considered whether “interplay” of § 602(a) and 109(a) favored applying first sale defense to foreign-made goods, and concluded that “while perhaps a close call,” structure of Act favored interpretation of § 109(a) as applying only to domestically manufactured goods in order to avoid nullifying § 602(a)’s clear intent to enforce, within United States, limitations on territorial grants of foreign rights. Court declined, however, to follow Ninth Circuit exception for foreign manufactured goods once authorized sale was made in United States, which court noted had not been adopted by other courts of appeals. Court then weighed impact of Supreme Court’s decision in Quality King and concluded that its dicta, discussed above, supported interpretation of “lawfully made under this title” as only applying to goods manufactured in United States or its territories. Thus, court stated, “we are comforted by fact that our interpretation of § 109(a) is one that the Justices appear to have had in mind when deciding Quality King.” On
balance, notwithstanding “utterly ambiguous text” of § 109(a) and “close call” in reconciling that provision with § 602(a), court concluded that structure of Title 17 and Supreme Court opinion in Quality King supported limiting first sale defense to domestically made goods. Dissent set forth several reasons why § 109(a) should apply to all lawfully made goods, wherever manufactured, including that (i) “the statutory text does not refer to the place of manufacture”; (ii) “regardless of the place of manufacture, a copy authorized by the U.S. rightsholder is lawful under U.S. copyright law”; (iii) Congress could have, but did not, explicitly limit § 109(a) to “copies lawfully manufactured in the United States”; and (iv) limitation on § 109(a) to domestically made copies would effectively permit copyright owner importing goods to exercise perpetual control over those goods, in contrast to domestic goods which are subject to first sale defense.

D. Misuse


Court granted defendant’s motion for summary judgment. Plaintiff, Swiss watch manufacturer, distributed watches through authorized distributors throughout world. Defendant, not authorized importer or retailer, sold plaintiff’s watches in its stores at prices well below plaintiff’s suggested retail price. In 2003 plaintiff started engraving 3-millimeter “Globe Design” on reverse side of “Seamaster” watches at its Swiss factory. Defendant purchased Seamaster watches with Globe Design from distributors outside U.S. to sell at defendant’s stores within U.S. In 2004 plaintiff filed action against defendant for violating § 602, which prohibits importation of copyrighted work without copyright holder’s permission. Plaintiff advised its authorized distributors that purpose of lawsuit was to “stem the tide of the grey market” and “unauthorized importation of Omega watches into the U.S.” “In other words,” court stated, “Omega used the defensive shield of copyright law as an offensive sword.” Under Ninth Circuit precedent “the misuse defense prevents copyright holders from leveraging their limited monopoly to allow them to control areas outside of their monopoly.” Here, plaintiff conceded that purpose of copyrighted Globe Design was to control importation and sale of its uncopyrightable watches containing design. Accordingly, plaintiff misused its copyright in Globe Design by leveraging its limited monopoly — ability to control importation of design — to control importation of Seamaster watches. While plaintiff conceded that one purpose of Globe Design was to control importation of watches, it argued that another purpose was to promote creativity and aesthetics of Globe Design itself, and to increase value design gives to watch. Court held that while Globe Design might have its own indepen-
dent aesthetic value, those aspects of design were protected by copyright, and were not defense to copyright misuse.

E. Miscellaneous


Court granted plaintiff’s motion for summary judgment, finding laches barred defendant’s counterclaim for copyright infringement. Plaintiff non-profit provided certification program for pilot drivers, who escort trucks transporting oversize loads. Defendant corporation provided similar program. Randy Sorenson created manual to promote pilot training programs, and in 1993 registered copyright, which he transferred to defendant RSA, owned by his wife. Sorenson revised manual and registered updated copyright in 2009. In 1996, Sorenson sent agency in Washington State course materials for new pilot program. Two years later, Washington adopted new escort vehicle requirements, and Department of Transportation founded committee for pilot car training. Sorenson attended committee meetings, including one held at plaintiff’s office, where Sorenson’s manual was discussed and members acknowledged concern with copyright. In 1999, plaintiff sent Sorenson copy of draft training manual with letter thanking him and inviting further input. Plaintiff’s manual was printed in 1999, with subsequent version in 2003. Defendant sent plaintiff cease and desist letters in 2009. Sorenson claimed he did not open envelope with manual and letter until 2010. Plaintiff filed action for declaratory relief that manual did not infringe defendant’s copyright. Defendant counterclaimed for copyright infringement, and filed motion for partial summary judgment on infringement claim. Plaintiff asserted affirmative defenses of implied license, laches and fair use. Ninth Circuit requires two factors for laches: (1) unreasonable delay in bringing suit; and (2) prejudice resulting from delay. Court found delay period is determined from when plaintiff *should have known* infringement occurred to when plaintiff brought suit. Court found first requirement met, as defendant had manual in possession in 1999, and did not allege infringement for 10 years. Court also found second requirement met; delay caused economic prejudice, because potential damages would be significantly greater due to 10-year delay.
VII. REMEDIES

A. Damages and Profits

Sony BMG Music Entertainment v. Tenenbaum, 660 F.3d 487 (1st Cir. 2011)

Plaintiffs, major U.S. recording companies, brought suit for infringement against individual defendant based on his long-standing use of filesharing software (“peer-to-peer networks”), whereby he had committed unauthorized downloading and distribution of literally thousands of songs in privacy of his own home. Defendant continued unlawful downloading and distribution even after warnings from father and receipt of notices from plaintiffs, and only ceased offending activities after lawsuit was filed. Lower court found that defendant infringed 30 copyrighted works owned by plaintiffs due to his downloading and distribution activities. Although jury returned statutory damages award of $675,000 based on defendant’s willful infringement, lower court reduced award to $67,500, finding award unconstitutionally excessive in violation of defendant’s due process rights under factors set forth in BMW v. Gore, 517 U.S. 559 (1996). Court reversed lower court’s reduction of damages, holding that under doctrine of constitutional avoidance, it was error for lower court to reach constitutional due process issue before considering common law remittitur. Court also questioned propriety of reducing statutory damages award on due process grounds under Gore, since such decision assumed statutory damages were wholly punitive in nature, while statutory damages have both compensatory and punitive elements. Further, concerns regarding fair notice to parties of range of possible punitive damage awards are not present with statutory damages since statute itself provides notice of scope of statutory damages. Court suggested, without deciding, that standard set forth by Gore and its progeny regarding constitutionality of punitive damages awards was not appropriate standard of review for statutory damages awards under Act.


Plaintiff sued defendants for copyright infringement based on defendants’ selling and renting unlicensed and counterfeit “moonwalks” (“a large inflatable bounce house used for entertainment, typically by children”) that incorporated plaintiff’s copyrighted characters and logos. Plaintiff moved for default judgment and sought $25,000 for each of 24 alleged infringements. Court found plaintiff’s request at high end of permissible damages range, due to small scale nature of defendants’ business, which included only five to 10 employees. Court instead awarded $10,000 per infringement, considering: (1) defendants’ willfulness, as they continued infringe-
Selected Annotated Cases

ment despite receiving multiple cease-and-desist letters; (2) number of likenesses used; and (3) defendants' personal and substantial profit from use of copyrights. Court also awarded permanent injunction and prejudgment interest.


District court granted plaintiffs' motion for summary judgment, finding defendants vicariously liable for willful copyright infringement. Court awarded statutory damages, issued permanent injunction, and awarded attorneys fees and costs. Plaintiffs, copyright owners who granted ASCAP nonexclusive right to license nondramatic performances of their copyrighted musical compositions, sued defendants, corporation and its two principals who operated radio station, alleging copyright infringement resulting from defendants' repeated broadcasting of plaintiffs' compositions without license from ASCAP or payment of license fees. Facts showed that defendants were sued for copyright infringement twice before under similar circumstances, and were on notice by ASCAP of potential liability for copyright infringement. In finding defendants liable for willful copyright infringement, court noted that despite notice, defendants made no effort to avoid broadcasting music from ASCAP repertoire in violation of plaintiffs' rights. Court also found permanent injunction warranted because "plaintiffs have made a clear showing of past infringement in this case and, frankly, not just a substantial likelihood but in actuality almost a certainty of future infringement." Court also granted plaintiffs attorneys' fees and costs and post-judgment interest.


District court granted in part and denied in part defendant's motion for partial summary judgment on issue of statutory damages and attorneys' fees, finding that plaintiff was limited to pursuing single statutory damage award for infringement of compilation, which, although not timely registered, included several works that had independent timely registrations. In 2006, plaintiff published stylebook including drawings of men's and women's clothing styles. Stylebook was registered as compilation work in 2009. Defendant received copy of plaintiff's stylebook in 2006. In 2008, defendant printed catalog. In 2009, plaintiff sued defendant alleging that 123 images included in defendant's catalog were copied directly from 2006 stylebook without authorization, and sought statutory damages and attorneys' fees. Defendant filed summary judgment motion, arguing that because alleged infringement was based solely on material copied from 2006 stylebook and copyright in stylebook was not timely registered, statutory
damages and attorneys' fees were barred. Plaintiff argued that stylebook included images reproduced from 12 stylebooks that were timely registered, prior to publication of 2006 stylebook, thus entitling plaintiff to statutory damages on each of those stylebooks. Court reasoned that under § 412, copyright in 2006 stylebook as compilation extends only to new, previously uncopyrighted material in book, and copyright in preexisting material remains undisturbed and independently enforceable. Accordingly, court concluded that plaintiff was not precluded from seeking statutory damages and attorneys’ fees based on copyrights in 12 stylebooks. However, court further reasoned that, although it is treated differently under § 412, for purpose of computing statutory damages and fees under § 504, compilation constitutes “one work,” and because plaintiff alleged infringement of 2006 stylebook only, plaintiff was limited to pursuing single statutory damages award.


Plaintiff brought suit for infringement of copyrighted tattoo artwork designs against seller of stencils used in applying airbrush “body art.” Over 700 tattoo designs were at issue; approximately 212 designs were drawn from 24 different registered books (each consisting of 50 designs), while remaining designs were unregistered. Upon court’s finding that defendants had infringed plaintiff’s copyrights through, inter alia, unauthorized exploitation of tattoo designs, trial was held on issue of damages only. Court ruled that statutory damages were available for 212 registered designs in standard range of $750 to $30,000 per work, since defendants’ actions, while not innocent, did not rise to level of willfulness. Further, for purposes of statutory damages, court determined that total number of works infringed was 24, corresponding to number of registered books of tattoo designs that had been infringed. In so ruling, court rejected “independent economic value” test in favor of “plain-language” test, which holds that plaintiff is entitled to only one statutory damage award per compilation or collective work, even where those compilations or collective works are comprised of multiple, individually copyrightable works. Finally, court rejected award of actual damages for infringement of nearly 500 unregistered designs pursuant to plain language of § 411(a) requiring registration of works. Although Supreme Court previously found that language of § 411(a) was not jurisdictional in nature, court ruled that registration still functioned as statutory precondition for award of damages in infringement suit.
B. Attorneys’ Fees

Airframe Systems v. L-3 Communications Corp., 658 F.3d 100 (1st Cir. 2011)

First Circuit affirmed district court’s order denying defendant’s motion for attorneys’ fees, finding that district court did not abuse its discretion. Plaintiff developed proprietary aircraft maintenance tracking software (ARMS) and licensed compiled object code, but not source code, of ARMS to defendant. After discovering unspecified version of ARMS source code on defendant’s computers, plaintiff initiated series of copyright infringement suits, alleging that defendant copied ARMS source code to create replacement maintenance program M3 by translating ARMS source code. To support its claims, plaintiff provided declaration by ARMS designer who compared M3 source code to most current version of ARMS source code (2009 version), but not to any of versions whose copyright registrations were named in complaint. Defendant moved for summary judgment and for attorneys’ fees. District court granted defendant’s summary judgment motion, finding that plaintiff failed to produce relevant source code. First Circuit affirmed grant of summary judgment. However, district court denied defendant’s attorneys’ fees motion. Defendant appealed, arguing that district court (1) applied incorrect standard or (2) abused its discretion in declining to award fees. First Circuit disagreed, noting (1) district court cited Supreme Court standard from Fogerty v. Fantasy, Inc., 510 U.S. 517 (1944), and was not required to elaborate by citing First Circuit opinions; and (2) district court applied each of Fogerty factors, and concluded that despite of failure of proof issue, there were no particular circumstances in favor of compensation by attorneys’ fees. Plaintiff’s claims had not been frivolous, improperly motivated, or objectively unreasonable; and “contentious nature” and “reasonably swift resolution” factors weighed against fee award. Accordingly, First Circuit affirmed district court’s decision.


District court denied defendant’s motion for attorneys’ fees under four exceptions to American Rule. Plaintiff Righthaven, LLC sued mentally and physically disabled individual Hill for copyright infringement after Hill without permission posted on his website photograph, owned by Righthaven, of TSA Agent performing pat-down search. Righthaven initially denied Hill’s request for extension of time to answer, then later dismissed suit with prejudice. Hill moved for attorneys’ fees under (1) § 505 of Copyright Act; (2) 28 U.S.C. § 1927; (3) C.R.S. 13-17-102; and (4) bad faith exception. Court denied fees under § 505 of Copyright Act. Section
allows award of attorneys’ fees to prevailing party, defined as “judicially sanctioned material alteration of legal relationship of parties.” As Righthaven dismissed suit voluntarily with prejudice, without court order, district court found Hill not to be prevailing party, and denied fees. Under 29 U.S.C. § 1927, court found Righthaven did not meet extremely high standard of “multiplying the proceedings in any case unreasonably and vexatiously,” as Righthaven only filed one substantive motion and voluntarily dismissed case in less than three months. Court denied fees under CRS 13-17-102, as state law is inapplicable once work falls within ambit of federal copyright law. Finally, court found that even though there were significant legal questions concerning viability of Righthaven’s cause of action, as Righthaven had engaged in pattern of filing copyright infringement suits to secure settlement agreements, there was no evidence that Righthaven brought suit solely for purpose of extorting settlement, thus making it improper to award fees under bad faith exception. Court overall found that even if conduct of Righthaven was deplorable, it did not justify award of attorneys’ fees under any statutorily created or judicially recognized exceptions to prevailing American rule.

C. Injunction/Impoundment

Flexible Lifeline Systems, Inc. v. Precision Lift, Inc., 654 F.3d 989 (9th Cir. 2011)

Ninth Circuit vacated preliminary injunction issued against defendant and remanded to district court for further proceedings where district court presumed irreparable harm when it made determination to issue injunction. Plaintiff and defendant were in business of manufacturing and distributing aircraft maintenance stands. Defendant was sole distributor of aircraft maintenance stands designed by West Coast. West Coast and defendant formed joint venture to bid on government contract for Air Force platform C-130, using drawings developed by West Coast. Due to financial difficulties, West Coast sold most of its assets to plaintiff, including drawings, for which plaintiff later obtained copyright registration. Plaintiff did not continue joint venture with defendant, and sought to enjoin defendant from using drawings for maintenance stands for aircraft other than C-130. Plaintiff argued only presumption of harm and did not provide evidence of actual harm. District court granted preliminary injunction after finding that plaintiff was likely to succeed on merits of copyright infringement claim. Defendant appealed issuance of preliminary injunction, arguing that Ninth Circuit standard of presuming irreparable harm, as expressed in Elvis Presley Enterprises, Inc. v. Passport Video, 349 F.3d 622 (9th Cir. 2003), had been effectively overruled by Supreme Court’s decisions in eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388 (2006), and Winter v. Natural Resources Defense Council, Inc., 555 U.S. 7 (2008). After analyz-
ing eBay and Winter, Ninth Circuit agreed with defendant, finding that eBay was not limited to patent infringement matters, and that Winter reaffirmed principles relied upon in eBay: plaintiff must satisfy four-factor test in order to obtain equitable injunctive relief, even if that relief is preliminary, and overruled Elvis Presley to extent of its support of presumption of irreparable harm in issuing injunctive relief. Ninth Circuit also distinguished its previous decision in post-Winter case Marilyn Nutraceuticals, Inc. v. Mucos Pharma GmbH & Co., 571 F.3d 873 (9th Cir. 2009), affirming district court’s decision resting on presumption of harm in trademark infringement matter. Ninth Circuit observed that Marilyn contains no analysis post-Winter, and that parties in Marilyn did not brief issue of whether presumption of harm survived eBay or Winter. Because Marilyn panel did not consider this issue, circuit court found that it was not bound by Marilyn’s decision. Accordingly, Ninth Circuit concluded that presuming irreparable harm in copyright infringement case is inconsistent with, and disapproved by, Supreme Court in eBay and Winter; found district court’s presumption of harm to be error; and remanded to district court to make requisite factual determinations regarding irreparable harm.

Perfect 10, Inc. v. Google, Inc., 653 F.3d 976 (9th Cir. 2011)

Ninth Circuit affirmed district court’s denial of adult website owner’s motion for preliminary injunction against Google. Plaintiff alleged Google’s practice of forwarding plaintiff’s DMCA takedown notices to chillingeffects.org for posting on its website, among other practices and policies of Google, constituted copyright infringement. Because takedown notices included URLs for infringing content, even if Google removed URLs from search results, viewers could still find URLs for infringing content on chillingeffects.org. Court rejected plaintiff’s argument “that because it has made a strong showing of likelihood of success on the merits of its copyright claims, a court must presume it will suffer irreparable harm.” In so doing, court departed from well-established Ninth Circuit precedent under Apple Computer, Inc. v. Formula International, Inc., 725 F.2d 521(9th Cir. 1984), instead following Supreme Court’s decision in eBay, Inc. v. MercExchange, LLC, 547 U.S. 388 (2006), holding that injunction for patent infringement must comport with “traditional equitable principals” using fact-specific application of traditional four-factor test for injunctive relief, and not presumptions or categorical rules. In eBay, Supreme Court looked to Copyright Act for guidance, noting permissive language in § 502(a) of Copyright Act that courts “may” grant injunctive relief on such terms as they deem reasonable to prevent infringement does not indicate congressional intent to depart from traditional equitable principles. Here, court held that “the propriety of injunctive relief in cases arising under the Copyright Act must be evaluated on a case by case basis in accord with
traditional equitable principles and without the aid of presumptions.” Accordingly, district court did not err in failing to presume plaintiff would suffer irreparable harm, or abuse its discretion in ruling that plaintiff failed to satisfy requirements for injunctive relief.


Plaintiff brought suit for infringement of copyrighted “Flying B” logo against defendants Baltimore Ravens and NFL based on, inter alia, defendants’ public display of logo in season highlight films and video clips played during Ravens’ home games. Fourth Circuit reversed lower court’s finding that defendants’ conduct constituted fair use, holding that defendants’ use of logo in highlight films and video clips played during home games infringed plaintiff’s rights in work. On remand, court declined to enjoin defendants’ use of depictions of copyrighted logo in films upon finding that plaintiff failed to satisfy eBay test for injunctive relief, instead holding that award to plaintiff of reasonable compensation for defendants’ use of copyrighted logo provided plaintiff with adequate legal remedy. Specifically, court found that balance of hardships weighed in favor of defendants, since NFL films at issue resulted from collaborative efforts of numerous individuals (e.g., depicted players, producers), and therefore enjoining presentation of films would have imposed hardship on defendants which exceeded that imposed on plaintiff. Additionally, court held that public interest in preserving and presenting to public images of “historical” sporting events outweighed public interest in granting plaintiff monopoly that would have enabled him to block presentation of films.

D. Sanctions


Plaintiffs moved for sanctions for spoliation of evidence. UK defendants operated websites from which members could upload and download videos in manner that infringed plaintiffs’ copyrights. Court found that defendants violated duty to preserve relevant evidence and that spoliation occurred with respect to takedown notices, audiovisual files removed from websites, and emails containing DMCA notices. Defendants’ only justification for destruction of emails was that UK’s Data Protection Act (“DPA”) did not allow them to retain personal data for longer than necessary, and required them to delete emails. However, court found that defendants offered no evidence that audiovisual files and takedown notices contained personal data protected by DPA; since defendants conceded that they destroyed evidence, and did not demonstrate that preservation
of spoliated evidence would have been impossible or subject them to civil or criminal sanctions, sanctions were appropriate. In assessing appropriate sanctions, court considered three Schmid factors, specifically (1) degree of defendants’ fault; (2) degree of prejudice suffered by plaintiffs; and (3) whether lesser sanction would avoid substantial unfairness to defendants. While defendants “consciously disregarded” obligation to preserve relevant evidence, and plaintiffs were prejudiced as result of spoliation, court found that lesser sanctions were appropriate because defendants’ deceptive conduct ceased, and defendants retrieved some missing documents and files and took steps to avoid further deletions. Court found that plaintiffs were entitled to adverse inference sanctions in form of rebuttable presumptions that (1) third parties posted materials on defendants’ websites infringing plaintiffs’ copyrights; (2) plaintiffs submitted takedown notices to defendants regarding infringing material; and (3) defendants did not take steps to remove plaintiffs’ infringing material from websites.

VIII. PREEMPTION

Barclays Capital Inc. v. Theflyonthewall.com, Inc. 650 F.3d 876 (2d Cir. 2011)

Second Circuit reversed, in part, district court’s judgment and injunction against defendant news website operator, finding plaintiffs’ “hot news” misappropriation claim preempted by federal copyright law. Plaintiffs, major financial institutions that provided financial research and analysis services to investors, alleged that defendant’s practice of republishing plaintiffs’ securities recommendations before this information would be accessed by plaintiffs’ subscribers constituted copyright infringement and “hot news” misappropriation under New York state law. District court found for plaintiffs on copyright infringement and hot news misappropriation claims, but defendant appealed only hot news misappropriation claim. Following Second Circuit precedent under National Basketball Association v. Motorola, Inc., 105 F.3d 841 (2d Cir. 1997), court held that “because the plaintiff’s claim falls within the ‘general scope’ of copyright, 17 U.S.C. § 106, and involves the types of works protected by the Copyright Act, 17 U.S.C. §§ 102 and 103, and because the defendant’s acts at issue do not meet the exceptions for a ‘hot news’ misappropriation claim as recognized by [the Court in] NBA, the claim is preempted.” Specifically, court found (1) plaintiffs’ reports and recommendations satisfied subject matter requirement of Copyright Act § 102 because they are “original works of authorship fixed in a tangible medium of expression,” and it is not determinative that such recommendations themselves are not copyrightable; (2) plaintiffs’ reports and recommendations satisfied “general scope” requirement because “the rights ‘may be abridged by an act which, in and of itself, would infringe one of the exclusive rights provided by federal
and (3) plaintiffs’ claim did not meet exceptions applicable to “hot news” misappropriation claims because defendant was not free-riding on plaintiffs’ product, but rather was collecting and disseminating, through substantial organizational effort of its own, fact that plaintiffs had made recommendations as to trading of certain securities, and attributing such “news” to plaintiffs as source. Accordingly, district court erred in finding plaintiffs’ “hot news” misappropriation claim not preempted by federal copyright law.


Court granted plaintiff’s motion to remand case to state court, finding Copyright Act did not preempt state law claims. Plaintiff corporation was in business of designing and selling custom fabric, wallpaper and women’s clothing. Plaintiff built personal client relationships and kept confidential client databases. Defendants were married couple; wife was former employee of plaintiff and had access to confidential client lists and database, as well as details regarding manufacturers. Defendants became partners of clothing company that sold clothing in plaintiff’s designs to manufacturers of plaintiff. Plaintiff sued in state court for alleged unlawful marketing of plaintiff’s patterns and solicitation of plaintiff’s clients. Defendants moved to remove case based on complete preemption by Copyright Act. To determine preemption, courts in Second Circuit rely on two-part test: (1) whether particular work is under subject matter of works protected by §§ 102 and 103 of Copyright Act; and (2) whether state law creates rights equivalent to exclusive rights provided by copyright law. State law claims, therefore, that include any “extra elements” beyond reproduction, adaptation, performance, distribution or display, and make claim “qualitatively different” from copyright infringement claim, are not preempted. Court first analyzed subject matter of works, finding claims relating to client lists and identifies of manufacturers did not fall under scope of Act, but claims regarding clothing designs fit within category, as (1) fabric designs are copyrightable; and (2) scope of copyrightable work under preemption statute is broader than scope of copyright protection. Court then analyzed specific claims under second requirement, finding plaintiff’s claims for (1) unfair competition; (2) misappropriation of trade secrets; (3) tortious interference with business relations and prospective economic advantage; (4) breach of fiduciary duty; and (5) breach of implied contract not preempted, as they contained “extra element” beyond copyright infringement. Under Second Circuit law, unfair competition claims based upon breaches of confidential relationships, breaches of fiduciary duties, and trade secrets contain “extra element.” As plaintiff’s claim was based upon wife’s confidential relationship as employee and alleged misuse of trade
secrets to compete with plaintiff, court found claim not preempted. Additionally, misappropriation of trade secrets claims are generally not preempted by Copyright Act, as they often involve breach of duty of trust or confidence to plaintiff through improper disclosure of confidential material, separating claim from claim solely based on copying. As complaint alleged that one defendant disclosed former employer’s confidential information in breach of fiduciary duty, and other defendant aided and abetted breach, court found extra element test was met. Court used same reasoning under tortious interference and breach of fiduciary duty claims. Finally, court analyzed breach of implied contract claim, finding such claims generally not preempted, as they are based on allegations of contractual right not existing under copyright law. Court found plaintiff’s allegation akin to breach of non-disclosure or non-competitive agreement, where allegation is based on promise to maintain confidentiality of employer’s information, and not use information to compete with that employer in future, and thus beyond claim of mere reproduction, and outside scope of copyright infringement claim.

*Customguide v. Careerbuilder, LLC*, 813 F. Supp. 2d 990 (N.D. Ill. 2011)

District court denied in part and granted in part defendant’s motion to dismiss plaintiff’s claims, based upon defendant’s alleged unauthorized access and use of plaintiff’s on-line training courses, as preempted by Copyright Act. Plaintiff developed online courses and guides that trained users how to operate software programs. Plaintiff entered Partnership and Development Agreement with defendant, allowing defendant to use and sell products only to individual consumers, but not engage in business-to-business sales. Defendant accessed and used plaintiff’s content for business-to-business sales, promoted and misrepresented products as own products, and provided link to users on defendant’s website that directed to plaintiff’s products rebranded with defendant’s logo. Plaintiff brought suit, in relevant part, for (1) breach of contract; (2) violation of Illinois Uniform Deceptive Trade Practices Act; (3) violation of Illinois Consumer Fraud Act; (4) common law misappropriation of intellectual property rights; and (5) unjust enrichment. Defendant moved to dismiss claims as preempted. Seventh Circuit distills two elements of copyright preemption: (1) work in which right is asserted must be in fixed tangible form and come within subject matter of § 102 of Copyright Act; and (2) right must be equivalent to any right encompassing reproduction, adaptation, publication, performance and display of copyrighted work. To avoid preemption, state law must regulate conduct “qualitatively distinguishable” from copyright law. Court found breach of contract claim not necessarily preempted. While Seventh Circuit does not adopt rule that anything with label “contract” is
necessarily outside Copyright Act’s preemption clause, court relied on precedent stating “simple two-party contract is not ‘equivalent to any of the exclusive rights within the general scope of copyright’ and therefore may be enforced.” Court also analyzed claims under Illinois Uniform Deceptive Trade Practices Act and Illinois Consumer Fraud Act. Court found plaintiff’s claims to be based on theory of reverse passing off, which is preempted by Copyright Act, as defendant promoted and misrepresented plaintiff’s products as its own, and provided link on its website directing to unauthorized samples of plaintiff’s products with defendant’s logo. Plaintiff argued claim contained likelihood of confusion allegation in addition to reverse passing off, rendering nature of claim outside scope of copyright. Court found likelihood of confusion claims derived from inherent misrepresentation and unauthorized copying and distribution of work, and thus did not amount to “extra element” needed to make claim “qualitatively distinguishable” from scope of copyright law. Court found that misappropriation allegation only provided facts regarding defendant’s distribution of plaintiff’s product, and unjust enrichment allegation only provided facts regarding defendant’s improper use of plaintiff’s works, both of which are covered by Copyright Act. Plaintiff argued, however, that complaint contained additional allegations that defendant engaged in fraudulent conduct, which were expressly incorporated by reference in misappropriation and unjust enrichment claims, thus bringing both claims outside scope of copyright. Court refused to consider additional allegations, stating that pleadings where each count incorporates all preceding paragraphs of complaint, also known as “shotgun pleadings,” are discouraged, because facts alleged in such preceding paragraphs are usually not material to specific claim in count’s heading. Relying solely on specific facts provided under each count heading, court found misappropriation and unjust enrichment claims preempted.


District court granted defendants’ motion to dismiss plaintiff’s state law trade secret misappropriation, conversion, unfair competition, conspiracy and tortious interference claims as preempted. Plaintiff software company used its copyrighted radio frequency identification (RFID) software platform to provide custom RFID solutions to its customers. Plaintiff alleged that defendant reverse-engineered plaintiff’s RFID program to create its own RFID solution and tortiously interfered with plaintiff’s ability to obtain U.S. Navy contracts. Having previously determined that plaintiff’s misappropriation and unfair competition claims were preempted, court found plaintiff’s tortious interference claim also preempted because “core” of plaintiff’s complaint was plaintiff’s allegation that defendant
misused its copyrighted software. Following Fifth Circuit precedent in *Carson v. Dynegy, Inc.*, 344 F.3d 446 (5th Cir. 2003), court also found plaintiff’s conversion claim preempted because claims alleging conversion of physical property are “qualitatively different” than claims alleging conversion of intellectual property rights. Here, plaintiff’s conversion claim was preempted, because plaintiff alleged conversion of intangible copyrighted material, namely, computer software. Having already dismissed plaintiff’s misappropriation, unfair competition, tortious interference and conversion claims, court also dismissed plaintiff’s derivative conspiracy claim.


Defendants used and allegedly profited from song composed by plaintiff to promote sale of DVD and other products on website home page, as background to webcast, in audio CDs and DVDs and in performances. District court dismissed plaintiff’s unjust enrichment and conversion claims as preempted. To determine whether claims were preempted by Copyright Act, court evaluates whether claim falls within subject matter of copyright as defined in § 102, and whether cause of action protects rights that are equivalent to any exclusive rights under federal copyright contained in § 106. If defendants’ act would violate both Copyright Act and state law, state law claim is preempted by Copyright Act. However, if plaintiff alleged facts that add “extra element” distinguishable from copyright claim, then state laws not preempted. Here, court found that plaintiff’s unjust enrichment claim related to interest protected by Copyright Act, specifically exploitation of her song for use in various media, and was therefore, preempted by Copyright Act. Moreover, plaintiff’s conversion claim was also preempted by Copyright Act because plaintiff only alleged conversion of intangible property, her song, which merely asserts claim regarding wrongful copying, distribution or performance actionable under Copyright Act.


At issue was whether Copyright Act applied to Trademark Agreement related to artist’s employment agreement, and whether Copyright Act preempted state law claim that certain clause of agreement was unlawful restrictive covenant, as claimed by defendant. Parties’ Trademark Agreement fell within subject matter of copyright because it addressed plaintiff’s artwork. Court disagreed with plaintiff’s claim that Copyright Act did not apply because plaintiff’s work was not “fixed,” as required under Act.
Copyright Act does not apply to artist’s ideas, thoughts and concepts, but as artwork was “fixed,” it fell under Copyright Act; therefore to extent plaintiff’s works were fixed, Trademark Agreement fell within Copyright Act. Copyright Act only preempts state law when rights fall within subject matter of copyright in § 102 and 103, and are also equivalent to exclusive rights under § 106. Parties disputed validity and enforceability of contract provision of Trademark Agreement. Such dispute as to validity of license agreement was “extra element” and not within general scope of copyright and not equivalent to § 106 exclusive rights, and therefore not preempted.


Plaintiff brought action against defendants alleging various state law claims including violation of Kansas Uniform Trade Secrets Act (“KUTSA”). Defendants removed action to district court, claiming that action provided federal question jurisdiction because it involved copyright claim regarding controversy over authorship and/or ownership rights to software program. Plaintiff moved to remand case to state court on basis that KUTSA claims did not fall within scope of Copyright Act and were not preempted, and therefore, district court lacked subject matter jurisdiction. While plaintiff’s complaint only asserted state law claims, defendants argued that plaintiff’s KUTSA claims were preempted under “complete preemption” doctrine. Under “complete preemption doctrine,” federal court may have jurisdiction over claim purportedly brought only under state law when claim can only actually be based on federal law. Court found that “complete preemption” doctrine did not apply here; for doctrine to apply, court must find that state cause of action falls within scope of Copyright Act, and here, court found that Copyright Act did not preempt claims for misappropriation of trade secret under KUTSA. Copyright Act will preempt state law claim when work is within subject matter of copyright and rights granted under state law are equivalent to exclusive rights set out in § 106. If state law claim requires extra element, Copyright Act will not preempt state law claim. Court found that because plaintiffs were required to prove improper means under KUTSA claim, which was additional element not found in infringement claim, misappropriation of trade secrets claim under KUTSA was not preempted by Copyright Act. Moreover, court found that because state law claims were not preempted by Copyright Act, “complete preemption” doctrine was inapplicable and case must be remanded to state court.
Selected Annotated Cases

IX. DIGITAL MILLENNIUM COPYRIGHT ACT

Capitol Records, Inc. v. MP3Tunes, LLC, 821 F. Supp. 2d 627 (S.D.N.Y. 2011)

Individual defendant, “online music entrepreneur familiar with high-stakes copyright litigation,” ran two websites, one that had online storage “locker” service through Internet links to songs, and another related website that allowed users to search for free music files on Internet. Plaintiffs, record companies and music publishers, sent defendants DMCA takedown notice that identified 350 infringing songs, and demanded that defendants in addition take down all of plaintiffs’ copyrighted works, even those not specifically identified. In response defendants removed unauthorized websites from its link index, but did not remove infringing songs from users’ lockers. Defendants took no action regarding works not specified in notice except to request further identification, which plaintiffs declined to give. Defendants claimed protection under DMCA safe harbor, under which OSP must, inter alia, implement policy of terminating users who are repeat infringers; comply with takedown notices; not have actual or “red flag” knowledge of infringement; and not directly benefit from infringement when OSP has control over infringing activities. Court found defendants generally eligible for DMCA safe harbor protection. Plaintiffs argued that defendants were not implementing adequate repeat infringer policy. Court disagreed, holding that because users could not know whether source of their music files was infringing or not, users who “sideloaded” music for personal use did not constitute repeat infringers. Court found defendants’ existing repeat infringer policy, under which defendants terminated 153 users who illegally shared music, to be adequate for safe harbor requirements. Plaintiffs claimed that defendants failed to comply with takedown notices by not removing infringing songs from users’ lockers, and by not removing infringing links to other works of plaintiffs not identified on takedown notice. Defendants argued that under Viacom v. YouTube, 718 F. Supp. 2d 514 (S.D.N.Y. 2010), defendants were only obligated to remove infringing links specified by plaintiffs. Court agreed with defendants that takedown notice must list specific instances of infringement. However, court also held that defendants were obligated to remove infringing songs from users’ lockers, since defendants tracked source of each file, and could easily find files that were copied from specified infringing links. In contrast, it would be impossible for plaintiffs to externally identify infringing songs in users’ lockers in order to list them in takedown notice. Plaintiffs claimed that defendants had actual and “red flag” knowledge of infringement because they listed songs from unauthorized websites, from which defendants’ own executives “sideloaded” songs. Plaintiffs argued sites were obviously dedicated to
copyright infringement, as indicated by association of sites with words such as “free,” “MP3” and “file-sharing.” Court disagreed; because sites were general-purpose, non-pirate-themed file-sharing and cyberlocker sites, there was no direct indication of infringing intent by their names or URLs alone. Defendants were not obligated to go to websites or otherwise investigate them further in order to determine their legitimacy. Plaintiffs claimed that defendants directly benefited from users’ infringement, and had ability to control infringing activities. Court disagreed, finding no direct benefit, since infringing and non-infringing users paid same fee, and because defendants did not promote infringement or reward users for it. Defendants’ ability to monitor use or terminate accounts was merely ability to control own system, and not ability to control infringement arising from users’ activities and decisions. Defendants were not required to monitor use or prevent infringement. Mere linking to infringing content, whether or not links were user-supplied, did not create liability where safe harbor requirements were otherwise met; “If enabling a party to download infringing material was sufficient to create liability, then even search engines like Google or Yahoo! would be without DMCA protection.” Court found further that plain meaning of DMCA safe harbors, read in light of their purpose, covers both state and federal copyright claims. Thus, court held, DMCA applies to sound recordings fixed prior to February 15, 1972.


Plaintiff, non-profit that operated museum exhibiting photographs and artifacts from aftermath of September 11 attacks, brought suit against defendant for, inter alia, violations of Digital Millennium Copyright Act (“DMCA”). Defendant had provided plaintiff with online “shopping cart services,” which were used to create and maintain donations page on plaintiff’s website. Plaintiff claimed that defendant accessed plaintiff’s website without authorization, whereupon he allegedly hid and/or deleted files and then subsequently terminated shopping cart support, preventing plaintiff’s donations page from receiving any data from defendant’s database. Meanwhile, defendant sent DMCA notice to plaintiff’s web hosting service, alleging that defendant’s shopping cart design logo was protected copyrighted material and that plaintiff’s continued use of that logo on its donations page was unauthorized. Plaintiff first argued that defendant violated DMCA provision prohibiting party from “circumvent[ing] a technological measure that effectively controls access to” protected work. Court held that plaintiff failed to show necessary element that defendant’s access was “unauthorized,” since plaintiff admitted that it or its hosting service had supplied defendant with security access codes
Selected Annotated Cases

enabling it to log in to access plaintiff's webpage files. Plaintiff next alleged that defendant's false claim in his DMCA notice to plaintiff's hosting service that his trademarks constituted copyrighted material violated DMCA provision prohibiting knowing, material misrepresentations. Court similarly rejected this argument, holding that any misrepresentation by defendant was not "material" since hosting service's only response to DMCA notice was to inform defendant that it no longer hosted plaintiff's website and therefore DMCA notice did not result in any harm or damages to plaintiff.