2016

Fall 2016 Supplement to Brauneis & Schechter, Copyright: A Contemporary Approach

Robert Brauneis  
*The George Washington University Law School*, rbraun@law.gwu.edu

Roger E. Schechter

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### Table of Recent Cases

This table provides easy access to references to cases decided since July of 2015. Internal document cross-reference links are in blue.

#### Scope of Protection
- **DC Comics v. Towle, 802 F.3d 1012 (9th Cir. 2015)** — Batmobile protectable as character
- **VMG Salsoul, LLC v. Ciccone, 2016 WL 3090780 (9th Cir.)** — (principal case) de minimis exception to copyright infringement also applicable to sound recordings (disagrees with Sixth Circuit)
- **Home Design Services, Inc. v. Turner Heritage Homes Inc., 2016 WL 3361479 (11th Cir. 2016).** — in the context of architectural works, distinguishing between expression and idea is a question of law for the court, not a question of fact for the jury (one judge dissenting)

#### Functionality
- **Bikram's Yoga College of India, L.P. v. Evolation Yoga, LLC, 803 F.3d 1032, 1043 (9th Cir. 2015)** — sequence of yoga poses functional and therefore not protected by copyright
- **Varsity Brands, Inc. v. Star Athletica, LLC, 799 F.3d 468 (6th Cir. 2015)** — cheerleading uniforms include copyrightable designs severable from functional features; certiorari granted by the Supreme Court

#### Fair Use
- **Authors Guild v. Google, Inc., 804 F.3d 302 (2d Cir. 2015)** (principal case) — Google Books project qualifies as fair use
- **Keeling v. Hars, 809 F.3d 43, 45 (2d Cir. 2015), cert. denied, 2016 WL 1703348 (Sup. Ct. 2016)** — copyright is not forfeited in work that makes unauthorized fair use of another work
- **Katz v. Google Inc., 802 F.3d 1178, 1180 (11th Cir. 2015)** — use of uncomplimentary photograph in critical blog posts is fair use

#### Secondary Liability — $ 512 Safe Harbor
- **Capitol Records, LLC v. Vimeo, 2016 WL 3349368 (2d Cir. June 16, 2016)** — $ 512 safe harbor applies to pre-1972 sound recordings protected by common-law copyright
- **Lenz v. Universal Music Corp., 801 F.3d 1126 (9th Cir. 2015), opinion amended and superseded on denial of rehearing, 815 F.3d 1145 (9th Cir. 2016)** — to avoid liability for making a material misrepresentation, copyright holder must consider fair use before filing $ 512 takedown notice
- **BMG Rights Management (US) LLC v. Cox Communications, Inc., 2015 WL 7756130 (E.D. Va.)** — defendant did not reasonably implement a policy of terminating service to repeat infringers, and therefore was not protected by $ 512 safe harbor

#### Visual Artists Rights Act
- **Cheffins v. Stewart, 2016 WL 3190914 (9th Cir. 2016)** — school bus covered with wooden structure resembling a Spanish galleon was a work of “applied art” that did not qualify for protection under VARA
State-Law Protection of Pre-1972 Sound Recordings


Preemption of State Law

- Estate of Graham v. Sotheby’s, Inc., 2016 WL 1464229 (C.D. Cal., April 11, 2016) – California Resale Royalty Act is preempted by first sale doctrine of the U.S. Copyright Act

- Dryer v. National Football League, 814 F.3d 938 (8th Cir. 2016) – Copyright Act preempts right of publicity action by football players appearing in National Football League videos

 Remedies

- Jane Doe No. 1 v. Backpage.com, LLC, 817 F.3d 12, 28 (1st Cir. 2016) – profits of infringer too speculative and therefore not recoverable for use of photograph in sex trafficking

Attorneys Fees

- Kirtsaeng v. John Wiley & Sons, Inc., 136 S.Ct. 1979 (2016) (principal case) – objective reasonableness of prevailing party’s position is one factor that courts should consider in deciding whether to grant attorneys fees (whereas courts should not consider whether the lawsuit meaningfully clarified copyright law) but courts should recognize that they can consider other factors as well
Table of Contents
Hyperlinked Cross-References to Inserts in Casebook Outline

This Table of Contents provides links to all inserts, showing where they are located within casebook Chapters – links are in blue (or red for principal cases)

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C. The International Context of U.S. Copyright Law
p. 32 – Replace the paragraph on the Anti-Counterfeiting Trade Agreement (ACTA) with the following

Chapter 2  *The Basic Hurdles of Copyright Protection*

p. 70 – Replace Note 1 with the following:

p. 96 – insert the following after “Language Note: Distinguishing Between Derivative Works, Collective Works, and Compilations”:

C. “Work of Authorship” and the Enumerated Categories Thereof: Independent Limitations on Copyrightable Subject Matter?

  *Garcia v. Google, Inc.*

Chapter 3  *Fundamental Exceptions to Copyright Protection*

B. Abstraction and “Ideas”
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A. The Elements of a Case of Copyright Infringement
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Chapter 5  Fair Use
A. The Three Supreme Court Cases
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B. Some Applications
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A. Direct Infringement
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B. Secondary Liability: An Introduction
p. 384 - insert the following before “Copyright in the Real World: A Trip to the Copy Shop”:

E. Shielding and Recruiting New Gatekeepers: the Treatment of Online Service Providers in Section 512

pp. 410-425 - replace the District Court opinion in Viacom International Inc. v. YouTube, Inc. and the accompanying notes with:

Viacom International, Inc. v. YouTube, Inc

p. 428 – add the following paragraph to Note 11 “Six Strikes and You’re Out”

p. 449 – delete the material after the first paragraph in Unlocking Your Mobile Phone and substitute the following
Chapter 7: The 1909 Act Framework and Its Partial Persistence: Of Publication, Notice, Deposit and Registration
p. 505 main volume – delete the district court opinion in Alaska Stock v. Houghton Mifflin and substitute the following:


Insert after the end of note 2 on page 534:

Chapter 8: Initial Ownership of Copyright
p. 558 – add the following at the bottom of the page

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Chapter 10: Copyright Duration and Related Limitations on Transfer
p. 764: Add the following to the end of Note 2

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Chapter 11: The Reproduction, Distribution, and Adaptation Rights, and the Visual Artists Rights Act
p. 785 – insert at the end of the list of statutory licenses for which the Copyright Royalty Board sets rates

B. The Right of Distribution to the Public
1. The Meaning of “Distribution to the Public”

p. 803 – insert after note 3

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pp. 820-830 – replace the opinion in Quality King Distributors, Inc. v. L’Anza Research International, Inc. and the notes thereafter with the following

Kirtsaeng v. John Wiley & Sons, Inc.

D. Music and the First Three Exclusive Rights
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Chapter 12: Public Performance and Display Rights

A. When is a Performance or Display “Public”?

D. Performing Rights Organizations

F. State-Law Public Performance Rights for pre-1972 Sound Recordings
C. Attorneys’ Fees
p. 994-1000 – Replace Matthew Bender & Co., Inc. v. West Publishing Co. and the accompanying notes with the following

**Kirtsaeng v. John Wiley & Sons, Inc.**

**Chapter 14: Invoking Judicial Power: Jurisdiction, Venue, Standing, Limitations, Preemption, Choice of Law and Related Issues**

B. Plaintiff Issues: Standing, Registration and Recordation
p. 1037 – an update to “Copyright in the Real World: A Copyright Litigation Entrepreneur Runs Up Against Standing Rules”

D. Limitation on Actions and General Equitable Defenses
p. 1060 – insert after end of note 6
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F. Preemption
p. 1072 – replace Note 2 with the following
Brief Guide to Supplement Inserts

Because this Cumulative Supplement is a long document containing several years of updates, we thought it would be useful to provide a brief guide to the inserts that it contains, particularly highlighting the inserts that are intended to replace materials in the main volume, and the inserts providing new material that is substantial enough to require accommodation in reading assignments and class time.

Chapter 1  
**Introductions**

The two inserts for this chapter – a description of the Restatement of Copyright project and an update on copyright treaties – are not long and can likely be assigned with the material in the casebook that they supplement.

Chapter 2  
**The Basic Hurdles of Copyright Protection**

The main insert of this chapter is an entirely new section of Chapter 2 that explores whether the concept of “work of authorship,” and the categories of works of authorship enumerated in § 102, are limitations on copyrightable subject matter independent of the requirements of fixation and originality. The principal case in this new section is *Garcia v. Google*; the majority and dissenting opinions in that case occupy 14 pages, and the notes after the case occupy 7 more pages. Thus, this section could easily be the reading for a 50-minute class session, and maybe even a 75-minute class session.

Chapter 3  
**Fundamental Exceptions to Copyright Protection**

Most of the inserts for this chapter are relatively short updates about new cases. The one somewhat longer insert is a four-and-a-half page note on Application Programming Interfaces (APIs) that includes a discussion of the *Google v. Oracle* case. There are also two new “Copyright in the Real World” features – one on copyright and yoga, and one on copyright in public sculptures.

Chapter 4  
**Proving Infringement of the Reproduction Right**

There is only one short insert for this chapter, which is on the topic of disposing of the issue of substantial similarity on a 12(b)(6) motion for failure to state a claim.

Chapter 5  
**Fair Use**

The most substantial insert for this chapter is the new principal case of *Authors Guild v. Google*. The Second Circuit opinion represents a recent summation of the doctrine of transformative use by the man who coined that term, Judge Pierre Leval. Most syllabi would likely substitute this case for *Perfect 10 v. Amazon* case in the main volume, and not include them both. Another more substantial insert is a new note to be added on p. 343 after the *Princeton University Press* case, on the Georgia State Intranet litigation – a more modern version of the
“course packs” at issue in Princeton University Press.

Chapter 6  Enforcement and Protection Strategies

The most prominent insert for this chapter is the Second Circuit opinion in Viacom International, Inc. v. YouTube, Inc., on the § 512 ISP safe harbors, which should replace the District Court opinion in the same case that is in the main volume of the casebook. This insert includes substantially revised and expanded notes after the Viacom opinion; together, the opinion and notes provide 31 pages of reading, likely sufficient material for at least a 75-minute class. The other notes are reasonably brief updates, including an update to the “Copyright in the Real World” feature on “Unlocking Your Mobile Phone” on page 449.

Chapter 7: The 1909 Act Framework and Its Partial Persistence: Of Publication, Notice, Deposit and Registration

The only major insert for this chapter is the replacement of the District Court opinion in the Alaska Stock case with the Ninth Circuit’s opinion reversing the District Court. The District Court opinion was dramatic, because it invalidated Alaska Stock's registrations on the ground that the registration applications contained neither the names of the authors nor the titles of most of the photographs being registered. The Ninth Circuit holds that the registrations are valid in spite of that lack of information. The result is somewhat less dramatic, and some professors may therefore choose to skip this case. Others may think that it continues to provide a good prompt for discussion of why we should or should not encourage registration, and what the goals of a registration system should be.

Chapter 8: Initial Ownership of Copyright

The principal case added in this chapter is Greene v. Ablon. Greene is a case about joint authorship. In addition to applying the standards for determining whether someone is a joint author, it explores the relationship between derivative works and joint authorship (because one of the co-authors wrote a book of which the co-authored work at issue is derivative), and it also gets into the details of an action for an accounting between co-owners, which none of the other cases does. It therefore is not really a substitute for any of the existing cases in the casebook. However, at least one of us has been inclined to use Greene in place of Gaiman v. Macfarlane. Gaiman may be a little trickier and slipperier than it’s worth, because it involves Judge Posner opining that contributions by joint authors don’t always have to be independently copyrightable in a case in which the contributions probably were independently copyrightable, and it is also framed as a dispute over who owns copyright, not in works, but in characters.

Chapter 9: Transactions

There are no inserts for Chapter 9.
Chapter 10: Copyright Duration and Related Limitations on Transfer

There are two brief inserts for Chapter 10, including an updated replacement note on Same-Sex Couples and Terminations of Transfers.

Chapter 11: The Reproduction, Distribution, and Adaptation Rights, and the Visual Artists Rights Act

There are two new principal cases in the inserts for Chapter 11, each intended to replace a case in the casebook. The first, for the part of the chapter about importation and the distribution right, is *Kirtsaeng v. John Wiley & Sons*, the Supreme Court case holding that copyright is subject to international exhaustion. That is intended to replace the Supreme Court’s earlier opinion in *Quality King Distributors*, which is on p. 820 of the main volume. The second is in the part of the chapter discussing music and the first three exclusive rights. The Ninth Circuit’s opinion in *VMG Salsoul v. Ciccone* is intended to replace the Sixth Circuit’s decision in *Bridgeport Music Inc. v. Dimension Films*, on p. 857 of the main volume. The Sixth Circuit had held that infringement of sound recordings was not subject to a de minimis exception; the Ninth Circuit holds the opposite, but with a dissent.

The insert for p. 813 has additional notes on “digital first sale” cases, including the ReDigi case in the U.S. and the Usedsoft case in Germany. The insert for p. 819 covers the cases that held that the California Resale Royalty Act is unconstitutional. And the inserts for pp. 881 and 891 cover recent VARA cases.

Chapter 12: Public Performance and Display Rights

The new principal case in Chapter 12 is *ABC v. Aereo*, the 2014 Supreme Court case that holds that Aereo’s service, which provided over-the-air television programming to subscribers via the Internet, involved public performances. This is a factually and legally complicated case, and the edited majority and dissenting opinions take up 20 pages, with another 5 pages of notes. You may find it difficult to cover the *Fermata* and *Cablevision* cases in the main volume, and then *Aereo* in the supplement. One alternative would be to skip *Cablevision*, which like *Aereo* is a Transmit Clause case, and cover *Fermata*, a relatively simple case which makes the point that a performance in a “private” club can still be a public performance within the meaning of the Copyright Act because the members of the club are not merely a family and its circle of friends, and then *Aereo*. Alternatively, if you are confident that students will understand the point made in *Fermata* without a full case discussion, then you could cover *Cablevision* and *Fermata*, and focus the entire discussion of public performance on the most complicated and most economically significant performances, namely, transmissions. It is likely that you will have already covered the facts of *Cablevision* when discussing fixation, and so the facts shouldn’t take as long the second time around.

The second most substantial insert for Chapter 12 is a new five-page part, 12.F., on state-law public performance rights in pre-1972 sound recordings. There has been a lot of litigation in that area over the last several years, and developments continued in 2016 and 2016. There are also
two new “Copyright in the Real World” features, including an especially topical feature on use of music by political campaigns, and a feature on cable and satellite TV payment for distribution of broadcast programs, and there are a number of brief updates in other areas.

Chapter 13: Remedies

The new principal case for this chapter is the Supreme Court’s 2016 opinion in *Kirtsaeng v. John Wiley & Sons* – its decision on attorneys’ fees in that case, after its 2014 decision on the issue of importation and copyright exhaustion. It is a relatively short opinion – 7 pages – followed by three pages of notes, and it intended to replace the case on attorneys’ fees in the main volume, the Second Circuit’s decision in *Matthew Bender & Co. v. West Publishing Co.* Two brief notes about other new cases round out the inserts for this chapter.

Chapter 14: Invoking Judicial Power: Jurisdiction, Venue, Standing, Limitations, Preemption, Choice of Law and Related Issues

The inserts for this chapter consist of three relatively brief updates. The most substantial is a note on the Supreme Court’s 2014 decision in *Petrella v. MGM* that the equitable defense of laches cannot apply during the Copyright Act’s three-year statutory limitations period. There is also an updated note on Copyright Act preemption of state-law rights of publicity, and a very brief update to the “Copyright in the Real World” feature on copyright trolls and standing.
Chapter 1  *Introductions*

A. The Current Legal Framework

p. 8 – Insert above “B. Theoretical Frameworks”


Although copyright law has been governed by a federal statutory scheme since 1790, many copyright doctrines cannot be found anywhere in the statutory text. Rather, they have been developed over time by courts, just as the law has in traditional “common law” areas such as contracts or torts. For example, the basic standard for copyright infringement, “substantial similarity,” has been developed by courts and never codified. Similarly, the standards for secondary liability for copyright infringement have been developed by courts and cannot be found anywhere in the Copyright Act. Until 1976, the doctrine of “fair use” had also been developed entirely by courts; only in the Copyright Act of 1976 was it explicitly mentioned in a statutory provision, and the legislative history of that provision suggests that Congress anticipated that courts would continue to develop the doctrine. Thus, copyright law has always had, and continues to have, important areas of doctrine subject to common law development.

Many fields of law that have an important common-law component have been the subject of “Restatements of the Law,” published by the American Law Institute, which attempt to organize doctrine that has been developed in many individual judicial opinions over long periods of time. Copyright, being primarily statutory in nature, has never been covered by a Restatement. However, in 2014, Professor Ann Bartow of Pace Law School proposed a Restatement of the Law of Copyright, see, Ann Bartow, *A Restatement of Copyright Law as More Independent and Stable Treatise*, 79 Brook. L. Rev. 457 (2014). In early 2015 the ALI accepted the suggestion and designated Professor Christopher Jon Sprigman of NYU to serve as Reporter (or principal author). Four other full-time academics were named as Associate Reporters, and a large group of other ALI members, including judges,
government officials and practicing attorneys have been designated as Advisers. The various trade associations for the major copyright industries, such as the Motion Picture Association of America, the Recording Industry Associate of America, National Press Photographers Association, and The Authors Guild all have representation on the Advisory Committee, as do companies such as Google, Microsoft, IBM and Time Warner.

Many have criticized the more recent Restatements as being more prescriptive than descriptive. See, e.g., Kansas v. Nebraska, 135 S.Ct. 1042 (2015) (Scalia, J. concurring in part and dissenting in part) (“The object of the original Restatements was ‘to present an orderly statement of the general common law.’ Restatement of Conflict of Laws, Introduction, p. viii (1934). Over time, the Restatements’ authors have abandoned the mission of describing the law, and have chosen instead to set forth their aspirations for what the law ought to be. . . . [I]t cannot safely be assumed, without further inquiry, that a Restatement provision describes rather than revises current law.”). Some have already expressed the concern that this will be the case with the forthcoming Restatement of Copyright. See, e.g., Glenn G. Lammi, Will The American Law Institute ‘Restate’ Or Try To Rewrite U.S. Copyright Law? Forbes, April 28, 2015, (http://www.forbes.com/sites/wlf/2015/04/28/will-the-american-law-institute-restate-or-try-to-rewrite-u-s-copyright-law/). It will likely be several years before work on this new Restatement is complete and it will only be in the early years of the next decade that we will learn whether courts find it helpful. In the interim, Congress may undertake a general revision of the copyright statute, making the status of the project even more complicated. Nonetheless, those of you who may practice copyright law would be well advised to be on the lookout for the new Restatement.

C. The International Context of U.S. Copyright Law

p. 32 – Replace the paragraph on the Anti-Counterfeiting Trade Agreement (ACTA) with the following:

The Anti-Counterfeiting Trade Agreement (ACTA) (concluded 2011, not yet in force). In spite of its name, ACTA
includes copyright as well as trademark provisions. Those provisions do not affect substantive copyright law, however, but rather focus on enforcement issues. ACTA would be administered independently of any existing international organization. As of this writing, it has been signed by 31 states, including the European Union, but ratified by only one, Japan. Article 40 of ACTA provides that it will enter into force when six states have ratified it. Whether six states ever will ratify it is currently in doubt. Many nongovernmental organizations have opposed ACTA. In early 2012, there were widespread protests against ACTA in many European cities, and beginning on January 21 – two days after the Google and Wikipedia blackouts protesting the Stop Online Piracy Act (SOPA) and the Protect IP Act (PIPA) in the United States – there were denial-of-service attacks on a number of Polish government websites after Poland announced that it would sign ACTA. Opposition was directed both to the secrecy of the ACTA negotiations, and to the substantive provisions of the treaty, which opponents feared would threaten freedom of expression and privacy. On July 4, 2012, the European Parliament declined to consent to ACTA, effectively rejecting it, and halting progress on ratification.

The Beijing Treaty on Audiovisual Performances (concluded 2012, not yet in force) The WIPO Performances and Phonograms Treaty (WPPT), concluded in 1996, covered only purely aural performances fixed in phonograms (fixations of sound without any visual accompaniment), because negotiators couldn't agree on provisions regarding performances that became part of audiovisual works. Fourteen years later, on June 26, 2012, a treaty covering audiovisual performances was concluded in Beijing. The Beijing Treaty on Audiovisual Performances is modeled on the WPPT, and most of the provisions are the same. For example, both treaties obligate parties to grant four kinds of economic rights in fixed performances, namely, rights of reproduction, distribution, rental, and making available, and three kinds of economic rights in unfixed performances, namely, the right of broadcasting (except in the case of rebroadcasting), the right of communication to the public (except where the performance in a broadcast performance), and the right of fixation.

Both the WPPT and the Beijing Treaty obligate parties to grant
moral rights to performers, but the Beijing Treaty is accompanied by an agreed statement that indicates that “modifications of a performance that are made in the normal course of exploitation of the performance, such as editing, compression, dubbing, or formatting, in existing or new media or formats, and that are made in the course of a use authorized by the performer, would not in themselves amount to modifications” that would infringe a performer’s right to integrity. Both the WPPT and the Beijing Treaty obligate parties to protect against the circumvention of technological measures, but the Beijing Treaty is accompanied by an agreed statement that indicates that parties “to ensure that a beneficiary may enjoy limitations and exceptions provided in that Contracting Party’s national law [and that are allowed by the Beijing Treaty] where technological measures have been applied to an audiovisual performance and the beneficiary has legal access to that performance . . .”

The Beijing Treaty has not yet entered into force; it will enter into force three months after 30 eligible parties have deposited their instruments of ratification or accession. See Beijing Treaty, Article 26.

The Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled (concluded 2013; not yet in force) On June 27, 2013, a treaty negotiated under the auspices of WIPO and popularly known as the “Marrakesh VIP Treaty” was concluded in Marrakesh, Morocco. It is notable as the first treaty ever to require an exception to or limitation on copyright, as opposed to requiring minimum standards of protection. The need underlying the treaty is acute. The World Health Organization has estimated that there are about 285 million visually impaired people in the world 90% of whom live in developing countries. See World Health Organization, Visual Impairment and Blindness, Fact Sheet No. 282, available at http://www.who.int/mediacentre/factsheets/fs282/en/ (last visited May 12, 2014). Only about 5% of books are published in formats accessible to the visually impaired. See Judith Sullivan, Study on Copyright Limitations and Exceptions for the Visually Impaired, WIPO Document SCCR/15/7 (February 20, 2007), available at http://www.wipo.int/edocs/mdocs/copyright/en/sccr_15/sccr_15_7.doc (last visited May 12, 2014).
Although some wanted the treaty to cover audiovisual works, the treaty as concluded covers only works consisting of “text, notation and/or related illustrations” – essentially, print works – that are published or otherwise made publicly available in any media. See Marrakesh VIP Treaty, Art.2(a). The treaty defines its beneficiaries as persons who are blind; who have visual impairments or perceptual or reading disabilities that render them unable to read printed works to the same degree as those who don’t have such impairments or disabilities; or who are otherwise unable, due to physical disabilities, to hold or manipulate books or focus or move their eyes to the extent that would be normally acceptable for reading. Marrakesh VIP Treaty, Article 3.

The treaty has two main operative provisions. The first requires parties to adopt limitations and exceptions to copyright, as further defined in the treaty, to facilitate access by treaty beneficiaries to formats of works that are accessible to them. Marrakesh VIP Treaty, Article 4. The second requires parties to allow cross-border exchange of accessible-format copies, so that an accessible-format copy made in one country could be sent to and used in another country. Marrakesh VIP Treaty, Article 5. Importantly, “accessible format” is understood to include, not only formats that are specialized for visually impaired use, such as braille, and audio generated by synthetic voice technology, but also commercially available audiobooks. The treaty has not yet entered into force; it will enter into force three months after 20 eligible parties have deposited their instruments of ratification or accession. See Marrakesh VIP Treaty, Article 18.

Opinion among WIPO members on whether there should be other treaties requiring exceptions and limitations is sharply divided. WIPO's Standing Committee on Copyright and Related Rights has had some discussion about possible exceptions and limitations to benefit libraries, archives, and educational and research institutions, but little progress has been made in those discussions.
Chapter 2  The Basic Hurdles of Copyright Protection

p. 70 – Replace Note 1 with the following:

1. Words and Short Phrases: Not Original?  The Prunté case repeatedly invokes the principle that single words and short phrases cannot be protected by copyright. In most cases, this principle can be easily explained: words and short phrases are usually not “original” – they either were not independently created, or lack the modicum of creativity required for copyright protection. The titles of books and movies also typically fall under this rule. See, e.g., Becker v. Loew’s, Inc, 133 F.2d 889, 891 (7th Cir. 1943) (book title We Who Are Young not infringed by use of identical title for movie because “it is well settled that the copyright of a book or play does not give the copyright owner the exclusive right to the use of the title”). Yet is it inevitably the case that words and short phrases lack a modicum of creativity? If the phrase “fire in the hole” is insufficiently creative to sustain a copyright, what about the phrase “E.T. phone home” or “Look! . . . Up in the sky! . . . It’s a bird! . . . It’s a plane! . . . It’s Superman!”? What about neologisms – newly created words – that manage to capture some phenomenon that previously had no name? Consider words like “heteroflexible,” http://www.wordspy.com/index.php?word=heteroflexible, “misogynoir,” http://www.wordspy.com/index.php?word=misogynoir, or “procaffeinating,” http://www.wordspy.com/index.php?word=procaffeinating.  Can we really say that these newly coined words do not exhibit even a modicum of creativity? We will consider an alternative rationale – that the words, although creative, do not amount to “works of authorship” – below in Chapter II.C.

p. 96 – insert the following after “Language Note: Distinguishing Between Derivative Works, Collective Works, and Compilations”:

C. “Work of Authorship” and the Enumerated Categories Thereof: Independent Limitations on Copyrightable Subject Matter?
Section 102(a) begins by stating that “copyright subsists . . . in original works of authorship, fixed in a tangible medium of expression . . . .” So far, we have considered §102(a) as if it can be reduced to two requirements: fixation and originality. And indeed, most courts focus on these two requirements. Yet § 102(a) also recognizes protection only for “works,” and lists eight specific categories of works that are protected. To what extent does that language further limit the scope of copyrightable subject matter?

**Garcia v. Google, Inc.**

United States Court of Appeals, Ninth Circuit, 2015
(on rehearing en banc)
786 F.3d 783

McKEOWN, Circuit Judge:

In this case, a heartfelt plea for personal protection is juxtaposed with the limits of copyright law and fundamental principles of free speech. The appeal teaches a simple lesson—a weak copyright claim cannot justify censorship in the guise of authorship.

By all accounts, Cindy Lee Garcia was bamboozled when a movie producer transformed her five-second acting performance into part of a blasphemous video proclamation against the Prophet Mohammed. The producer—now in jail on unrelated matters—uploaded a trailer of the film, *Innocence of Muslims*, to YouTube. Millions of viewers soon watched it online, according to Garcia. News outlets credited the film as a source of violence in the Middle East. Garcia received death threats.

Asserting that she holds a copyright interest in her fleeting performance, Garcia sought a preliminary injunction requiring Google to remove the film from all of its platforms, including YouTube. The district court denied the injunction, finding that Garcia did not establish likely success on the merits for her copyright claim. Nor did she demonstrate that the injunction would prevent any alleged harm in light of the film’s five-month presence on the Internet. A divided
panel of our court reversed, labeled her copyright claim as “fairly debatable,” but then entered a mandatory injunction requiring Google to remove the film. That injunction was later limited to versions of the film featuring Garcia’s performance.

As Garcia characterizes it, “the main issue in this case involves the vicious frenzy against Ms. Garcia that the Film caused among certain radical elements of the Muslim community.” We are sympathetic to her plight. Nonetheless, the claim against Google is grounded in copyright law, not privacy, emotional distress, or tort law, and Garcia seeks to impose speech restrictions under copyright laws meant to foster rather than repress free expression. Garcia’s theory can be likened to “copyright cherry picking,” which would enable any contributor from a costume designer down to an extra or best boy to claim copyright in random bits and pieces of a unitary motion picture without satisfying the requirements of the Copyright Act. Putting aside the rhetoric of Hollywood hijinks and the dissent’s dramatics, this case must be decided on the law.

In light of the Copyright Act’s requirements of an “original work[ ] of authorship fixed in any tangible medium,” 17 U.S.C. § 102(a), the mismatch between Garcia’s copyright claim and the relief sought, and the Copyright Office’s rejection of Garcia’s application for a copyright in her brief performance, we conclude that the district court did not abuse its discretion in denying Garcia’s request for the preliminary injunction. As a consequence, the panel’s mandatory injunction against Google was unjustified and is dissolved upon publication of this opinion.

BACKGROUND AND PROCEDURAL HISTORY

In July 2011, Cindy Lee Garcia responded to a casting call for a film titled Desert Warrior, an action-adventure thriller set in ancient Arabia. Garcia was cast in a cameo role, for which she earned $500. She received and reviewed a few pages of script. Acting under a professional director hired to oversee production, Garcia spoke two sentences: “Is George crazy? Our daughter is but a child?” Her role was
to deliver those lines and to “seem[ ] concerned.”

Garcia later discovered that writer-director Mark Basseley Youssef (a.k.a. Nakoula Basseley Nakoula or Sam Bacile) had a different film in mind: an anti-Islam polemic renamed *Innocence of Muslims*. The film, featuring a crude production, depicts the Prophet Mohammed as, among other things, a murderer, pedophile, and homosexual. Film producers dubbed over Garcia’s lines and replaced them with a voice asking, “Is your Mohammed a child molester?” Garcia appears on screen for only five seconds.

Almost a year after the casting call, in June 2012, Youssef uploaded a 13-minute-and-51-second trailer of *Innocence of Muslims* to YouTube, the video-sharing website owned by Google, Inc., which boasts a global audience of more than one billion visitors per month. After it was translated into Arabic, the film fomented outrage across the Middle East, and media reports linked it to numerous violent protests. The film also has been a subject of political controversy over its purported connection to the September 11, 2012, attack on the United States Consulate in Benghazi, Libya.

Shortly after the Benghazi attack, an Egyptian cleric issued a fatwa against anyone associated with *Innocence of Muslims*, calling upon the “Muslim Youth in America[ ] and Europe” to “kill the director, the producer[,] and the actors and everyone who helped and promoted this film.” Garcia received multiple death threats.

. . . [Garcia] filed suit in the United States District Court for the Central District of California and . . . named Google and Youssef as codefendants. Garcia alleged copyright infringement against both defendants and revived her state law claims against Youssef for fraud, unfair business practices, libel, and intentional infliction of emotional distress.

Garcia then moved for a temporary restraining order and for an order to show cause on a preliminary injunction—but only on the copyright claim. She sought to bar Google from hosting *Innocence of*
Muslims on YouTube or any other Google-run website.

On November 30, 2012, the district court denied Garcia’s motion for a preliminary injunction. * * *
A divided panel of our court reversed. * * *

* * *

We granted rehearing en banc. Garcia v. Google, Inc., 771 F.3d 647 (9th Cir.2014).

ANALYSIS

Garcia sued under a slew of legal theories, but she moved for a preliminary injunction on just one of them: the copyright claim. Hence, copyright is the only basis for the appeal. * * *

A. COPYRIGHT

The central question is whether the law and facts clearly favor Garcia’s claim to a copyright in her five-second acting performance as it appears in Innocence of Muslims. The answer is no. This conclusion does not mean that a plaintiff like Garcia is without options or that she couldn’t have sought an injunction against different parties or on other legal theories, like the right of publicity and defamation.

Under the Copyright Act, “[c]opyright protection subsists ... in original works of authorship fixed in any tangible medium of expression ... [including] motion pictures.” 17 U.S.C. § 102(a). That fixation must be done “by or under the authority of the author.” 17 U.S.C. § 101. Benchmarked against this statutory standard, the law does not clearly favor Garcia’s position.

The statute purposefully left “works of authorship” undefined to provide for some flexibility. See 1 Nimmer on Copyright § 2.03. Nevertheless, several other provisions provide useful guidance. An audiovisual work is one that consists of “a series of related images which are intrinsically intended to be shown” by machines or other
electronic equipment, plus “accompanying sounds.” 17 U.S.C. § 101. In turn, a “motion picture” is an “audiovisual work[ ] consisting of a series of related images which, when shown in succession, impart an impression of motion, together with accompanying sounds, if any.” Id. These two definitions embody the work here: *Innocence of Muslims* is an audiovisual work that is categorized as a motion picture and is derivative of the script. Garcia is the author of none of this and makes no copyright claim to the film or to the script. Instead, Garcia claims that her five-second performance itself merits copyright protection.

In the face of this statutory scheme, it comes as no surprise that during this litigation, the Copyright Office found that Garcia’s performance was not a copyrightable work when it rejected her copyright application. The Copyright Office explained that its “longstanding practices do not allow a copyright claim by an individual actor or actress in his or her performance contained within a motion picture.” Thus, “[f]or copyright registration purposes, a motion picture is a single integrated work... Assuming Ms. Garcia’s contribution was limited to her acting performance, we cannot register her performance apart from the motion picture.”

We credit this expert opinion of the Copyright Office—the office charged with administration and enforcement of the copyright laws and registration. **

In analyzing whether the law clearly favors Garcia, *Aalmuhammed v. Lee*, 202 F.3d 1227 (9th Cir.2000), provides a useful foundation. There, we examined the meaning of “work” as the first step in analyzing joint authorship of the movie *Malcolm X*. The

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6 In another odd twist, one of Garcia's primary objections rests on the words falsely attributed to her via dubbing. But she cannot claim copyright in words she neither authored nor spoke. That leaves Garcia with a legitimate and serious beef, though not one that can be vindicated under the rubric of copyright.
Copyright Act provides that when a work is “prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole,” the work becomes a “joint work” with two or more authors. 17 U.S.C. § 101 (emphasis added). Garcia unequivocally disclaims joint authorship of the film.

In *Aalmuhammed*, we concluded that defining a “work” based upon “some minimal level of creativity or originality ... would be too broad and indeterminate to be useful.” Our animating concern was that this definition of “work” would fragment copyright protection for the unitary film *Malcolm X* into many little pieces:

So many people might qualify as an “author” if the question were limited to whether they made a substantial creative contribution that that test would not distinguish one from another. Everyone from the producer and director to casting director, costumer, hairstylist, and “best boy” gets listed in the movie credits because all of their creative contributions really do matter.

*Id.*

Garcia’s theory of copyright law would result in the legal morass we warned against in *Aalmuhammed*—splintering a movie into many different “works,” even in the absence of an independent fixation. Simply put, as Google claimed, it “make[s] Swiss cheese of copyrights.”

Take, for example, films with a large cast—the proverbial “cast of thousands”—such as *Ben–Hur* or *Lord of the Rings*. The silent epic *Ben–Hur* advertised a cast of 125,000 people. In the *Lord of the Rings* trilogy, 20,000 extras tramped around Middle–Earth alongside Frodo Baggins (played by Elijah Wood). Treating every acting performance as an independent work would not only be a logistical and financial nightmare, it would turn cast of thousands into a new mantra:
copyright of thousands.

The dissent spins speculative hypotheticals about copyright protection for book chapters, movie outtakes, baseball games, and Jimi Hendrix concerts. This hyperbole sounds a false alarm. Substituting moral outrage and colorful language for legal analysis, the dissent mixes and matches copyright concepts such as collective works, derivative works, the requirement of fixation, and sound recordings. The statutory definitions and their application counsel precision, not convolution. See, e.g., 17 U.S.C. §§ 101, 103, 114, 201. The citation to Effects Associates, Inc. v. Cohen, 908 F.2d 555 (9th Cir.1990) (Kozinski, J.), is particularly puzzling. There, neither party disputed the plaintiff’s copyright, and the plaintiff independently fixed the special-effects footage and licensed it to the filmmakers.

The reality is that contracts and the work-made-for-hire doctrine govern much of the big-budget Hollywood performance and production world. See 1 Nimmer on Copyright § 6.07[B][2]. Absent these formalities, courts have looked to implied licenses. See Effects Assocs., 908 F.2d at 559–60. Indeed, the district court found that Garcia granted Youssef just such an implied license to incorporate her performance into the film. But these legal niceties do not necessarily dictate whether something is protected by copyright, and licensing has its limitations. As filmmakers warn, low-budget films rarely use licenses. Even if filmmakers diligently obtain licenses for everyone on set, the contracts are not a panacea. Third-party content distributors, like YouTube and Netflix, won’t have easy access to the licenses; litigants may dispute their terms and scope; and actors and other content contributors can terminate licenses after thirty years. See 17 U.S.C. § 203(a)(3). Untangling the complex, difficult-to-access, and often phantom chain of title to tens, hundreds, or even thousands of standalone copyrights is a task that could tie the distribution chain in knots. And filming group scenes like a public parade, or the 1963 March on Washington, would pose a huge burden if each of the thousands of marchers could claim an independent copyright.

Garcia’s copyright claim faces yet another statutory barrier:
She never fixed her acting performance in a tangible medium, as required by 17 U.S.C. § 101 (“A work is ‘fixed’ in a tangible medium of expression when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration.”) (emphasis added). According to the Supreme Court, “the author is the party who actually creates the work, that is, the person who translates an idea into a fixed, tangible expression entitled to copyright protection.” Cmty. for Creative Non-Violence v. Reid, 490 U.S. 730, 737, 109 S.Ct. 2166, 104 L.Ed.2d 811 (1989). Garcia did nothing of the sort. 13

For better or for worse, Youssef and his crew “fixed” Garcia’s performance in the tangible medium, whether in physical film or in digital form. However one might characterize Garcia’s performance, she played no role in fixation. On top of this, Garcia claims that she never agreed to the film’s ultimate rendition or how she was portrayed in Innocence of Muslims, so she can hardly argue that the film or her cameo in it was fixed “by or under [her] authority.” 17 U.S.C. § 101.

In sum, the district court committed no error in its copyright analysis. Issuance of the mandatory preliminary injunction requires more than a possible or fairly debatable claim; it requires a showing that the law “clearly favor[s]” Garcia. See Stanley, 13 F.3d at 1320. Because neither the Copyright Act nor the Copyright Office’s interpretation supports Garcia’s claim, this is a hurdle she cannot clear.

* * * *

CONCLUSION

13 The Copyright Office draws a distinction between acting performances like Garcia’s, which are intended to be an inseparable part of an integrated film, and standalone works that are separately fixed and incorporated into a film. We in no way foreclose copyright protection for the latter—any “discrete work in itself that is later incorporated into a motion picture,” as the Copyright Office put it. See Effects Assocs., 908 F.2d at 558–59 (recognizing independent copyrightability of special effects footage incorporated into film).
At this stage of the proceedings, we have no reason to question Garcia’s claims that she was duped by an unscrupulous filmmaker and has suffered greatly from her disastrous association with the *Innocence of Muslims* film. Nonetheless, the district court did not abuse its discretion when it denied Garcia’s motion for a preliminary injunction under the copyright laws.

AFFIRMED.

* * * *

KOZINSKI, Circuit Judge, dissenting:

Garcia’s dramatic performance met all of the requirements for copyright protection: It was copyrightable subject matter, it was original and it was fixed at the moment it was recorded. So what happened to the copyright? At times, the majority says that Garcia’s performance was not copyrightable at all. And at other times, it seems to say that Garcia just didn’t do enough to gain a copyright in the scene. Either way, the majority is wrong and makes a total mess of copyright law, right here in the Hollywood Circuit. In its haste to take internet service providers off the hook for infringement, the court today robs performers and other creative talent of rights Congress gave them. I won’t be a party to it.

I

Youssef handed Garcia a script. Garcia performed it. Youssef recorded Garcia’s performance on video and saved the clip. Until today, I understood that the rights in such a performance are determined according to elementary copyright principles: An “original work[ ] of authorship,” 17 U.S.C. § 102(a), requires only copyrightable subject matter and a “minimal degree of creativity.” *Feist Publ’ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 345, 111 S.Ct. 1282, 113 L.Ed.2d 358 (1991). The work is “fixed” when it is “sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration.” 17 U.S.C. § 101. And at that moment, the “author or authors of the work” instantly and
automatically acquire a copyright interest in it. 17 U.S.C. § 201(a). This isn’t exactly String Theory; more like Copyright 101.

Garcia’s performance met these minimal requirements; the majority doesn’t contend otherwise. The majority nevertheless holds that Garcia’s performance isn’t a “work,” apparently because it was created during the production of a later-assembled film, *Innocence of Muslims*. But if you say something is not a work, it means that it isn’t copyrightable by anyone. Under the majority’s definition of “work,” no one (not even Youssef) can claim a copyright in any part of Garcia’s performance, even though it was recorded several months before *Innocence of Muslims* was assembled. Instead, *Innocence of Muslims*—the ultimate film—is the only thing that can be a “work.” If this is what my colleagues are saying, they are casting doubt on the copyrightability of vast swaths of material created during production of a film or other composite work.

The implications are daunting. If Garcia’s scene is not a work, then every take of every scene of, say, *Lord of the Rings* is not a work, and thus not protected by copyright, unless and until the clips become part of the final movie. If some dastardly crew member were to run off with a copy of the Battle of Morannon, the dastard would be free to display it for profit until it was made part of the final movie. And, of course, the take-outs, the alternative scenes, the special effects never used, all of those things would be fair game because none of these things would be “works” under the majority’s definition. And what about a draft chapter of a novel? Is there no copyright in the draft chapter unless it gets included in the published book? Or if part of the draft gets included, is there no copyright in the rest of it?

This is a remarkable proposition, for which the majority provides remarkably little authority. *Aalmuhammed v. Lee*, 202 F.3d 1227 (9th Cir.2000), the only case that the majority cites, says just the opposite. In *Aalmuhammed*, we considered a claim by a contributor to the movie *Malcolm X* that he was a joint author of the entire movie. Everyone in *Aalmuhammed* agreed that the relevant “work” was *Malcolm*
X. The only question was whether the contributor was a joint author of that work. We went out of our way to emphasize that joint authorship of a movie is a “different question” from whether a contribution to the movie can be a “work” under section 102(a). And we clearly stated that a contribution to a movie can be copyrightable (and thus can be a “work”).

The majority’s newfangled definition of “work” is directly contrary to a quarter-century-old precedent that has never been questioned, Effects Associates, Inc. v. Cohen, 908 F.2d 555 (9th Cir.1990). There, we held that a company that created special effects footage during film production retained a copyright interest in the footage even though it became part of the film. The majority tries to distinguish Effects Associates by arguing that the footage there was a “standalone work[ ] that [was] separately fixed and incorporated into a film.” But Garcia’s performance was also “separately fixed and incorporated into” Innocence of Muslims. Why then are the seven shots “featuring great gobs of alien yogurt oozing out of a defunct factory” interspersed in The Stuff, any more a “standalone work” than Garcia’s performance? Youssef wasn’t required to use any part of Garcia’s performance in the film; he could have sold the video clip to someone else. The clip might not have had much commercial value, but neither did the special effects scenes in Effects Associates. Nothing in the Copyright Act says that special effects scenes are “works” entitled to copyright protection but other scenes are not. And what about scenes that have actors and special effects? Are those scenes entitled to copyright protection (as in Effects Associates ), or are they denied copyright protection like Garcia’s scene?

II

A.

The majority also seems to hold that Garcia is not entitled to copyright protection because she is not an author of the recorded scene. According to the majority, Garcia can’t be an author of her own scene because she “played no role in [her performance’s] fixation.”.
But a performer need not operate the recording equipment to be an author of his own performance. See H.R.Rep. No. 94–1476, at 56 (1976); S.Rep. No. 94–473, at 53–54 (1975); see also 1 Nimmer on Copyright § 2.10[A][3] at 2–178.4 to 2–178.5. Without Garcia’s performance, all that existed was a script. To convert the script into a video, there needed to be both an actor physically performing it and filmmakers recording the performance. Both kinds of activities can result in copyrightable expression. See 1 Nimmer on Copyright § 2.09[F] at 2–165 to 2–171 (discussing Baltimore Orioles, Inc. v. Major League Baseball Players Ass’n, 805 F.2d 663 (7th Cir. 1986)). Garcia’s performance had at least “some minimal degree of creativity” apart from the script and Youssef’s direction.. One’s “[p]ersonality always contains something unique. It expresses its singularity even in handwriting, and a very modest grade of art has in it something which is one man’s alone.” Bleistein v. Donaldson Lithographing Co., 188 U.S. 239, 250, 23 S.Ct. 298, 47 L.Ed. 460 (1903). To dispute this is to claim that Gone With the Wind would be the same movie if Rhett Butler were played by Peter Lorre.

Actors usually sign away their rights when contracting to do a movie, but Garcia didn’t and she wasn’t Youssef’s employee. I’d therefore find that Garcia acquired a copyright in her performance the moment it was fixed. When dealing with material created during production of a film or other composite work, the absence of a contract always complicates things. See Effects Associates, 908 F.2d at 556 (“Moviemakers do lunch, not contracts.”). Without a contract the parties are left with whatever rights the copyright law gives them. It’s not our job to take away from performers rights Congress gave them. Did Jimi Hendrix acquire no copyright in the recordings of his concerts because he didn’t run the recorder in addition to playing the guitar? Garcia may not be as talented as Hendrix—who is?—but she’s no less entitled to the protections of the Copyright Act.

B.

* * *
The Copyright Office's position is thus inconsistent at best. And, in any event, neither the Copyright Office's reasoning nor the authority it relies on in its letter to Garcia fare any better than the majority's. The Copyright Office would refuse copyright registration to an actor like Garcia because “an actor or an actress in a motion picture is either a joint author in the entire work or, as most often is the case, is not an author at all by virtue of a work made for hire agreement.” However, Garcia isn't a joint author of the entire movie and didn't sign any agreements. She doesn't fit into either category. Like the majority, the Copyright Office would wish this problem away by refusing registration unless the copyright claimant personally recorded his performance. But nothing in the legislative history relied on by the Copyright Office (which concerned joint authorship of an entire film) suggests that a non-employee doesn't retain any copyright interest in a video clip of his acting performance because it's recorded by the film's producer.

III

The harm the majority fears would result from recognizing performers' copyright claims in their fixed, original expression is overstated. The vast majority of copyright claims by performers in their contributions are defeated by a contract and the work for hire doctrine. See 1 Nimmer on Copyright § 6.07 [B][2] at 6–28 to 6–29; 2 William F. Patry, Patry on Copyright § 5:17 (2010). And most of the performers that fall through the cracks would be found to have given an implied license to the film's producers to use the contribution in the ultimate film. See Effects Associates, 908 F.2d at 558. Very few performers would be left to sue at all, and the ones that remain would have to find suing worth their while. They wouldn't be able to claim the valuable rights of joint authorship of the movie, such as an undivided share in the movie or the right to exploit the movie for themselves. See 1 Nimmer on Copyright § 6.08 at 6–34 to 636. Rather, their copyright claims would be limited to the original expression they created. See Aalmuhammed, 202 F.3d at 1232; Effects Associates, 908 F.2d at 559. Which is why filmmaking hasn't ground to a halt even though we held a quarter-century ago that “where a non-employee contributes to
a book or movie, ... the exclusive rights of copyright ownership vest in the creator of the contribution, unless there is a written agreement to the contrary.” *Effects Associates*, 908 F.2d at 557.

* * * Movie producers, publishers and distributors will always claim that the sky is falling in cases that might recognize an individual contributor’s copyright interest in material he created. They will always say, as Google says here, that holding in the contributor’s favor will make “Swiss cheese” of copyrights.

But under our copyright law, the creators of original, copyrightable material *automatically* acquire a copyright interest in the material as soon as it is fixed. There’s no exception for material created during production of a film or other composite work. When modern works, such as films or plays, are produced, contributors will often create separate, copyrightable works as part of the process. Our copyright law says that the copyright interests in this material vest initially with its creators, who will then have leverage to obtain compensation by contract. The answer to the “Swiss cheese” bugbear isn’t for courts to limit who can acquire copyrights in order to make life simpler for producers and internet service providers. It’s for the parties to allocate their rights by contract. See *Effects Associates*, 908 F.2d at 557. Google makes oodles of dollars by enabling its users to upload almost any video without pre-screening for potential copyright infringement. Google’s business model, * * * assumes the risk that a user’s upload infringes someone else’s copyright, and that it may have
to take corrective action if a copyright holder comes forward.

The majority credits the doomsday claims at the expense of property rights that Congress created. Its new standard artificially shrinks authorial rights by holding that a performer must personally record his creative expression in order to retain any copyright interest in it, speculating that a contrary rule might curb filmmaking and burden the internet. But our injunction has been in place for over a year; reports of the internet’s demise have been greatly exaggerated. For the reasons stated here and in the majority opinion in Garcia v. Google, Inc., 766 F.3d 929, 933–36 (9th Cir.2014), I conclude that Garcia’s copyright claim is likely to succeed. I’d also find that Garcia has made an ample showing of irreparable harm. It’s her life that’s at stake.

Notes and Questions

1. “Coming Attractions”. Garcia alludes to several concepts that we will be encountering somewhat further on, particularly in Chapter 8, where we take up the topics of “works made for hire” and “joint works” in some detail, and in Chapter 9 where we look at copyright transactions. The Effects Associates case, which Judge Kozinski cites repeatedly (and which he authored) can be found on page 623 of the main volume. Don’t worry overly much about the details of these issues at this point – just focus on whether and when one copyrighted work (say, a movie) may contain within it other works (say, the performance of an actress) that are owned by others.

2. Counting Works Part One: Scenes and Drafts and Final Assembled Products. In dissent, Judge Kozinski states that the majority takes the position that only the final, released version of a motion picture could count as a “work” protected by copyright, and none of the individual scenes, created through making audiovisual recordings at different times, could count as “works” at the times that they were fixed. Assuming that is what the majority opinion states, could that be right? Or does each scene become a protected audiovisual work at the time of recording, and is a motion picture that is composed of many scenes in effect a compilation, and in
most cases also a derivative work, to the extent that the recorded
sounds and images were later altered through dubbing, the
addition of music, visual special effects, and so on? Consider the
definition of “created” in § 101 of the Copyright Act:

A work is “created” when it is fixed in a copy or
phonorecord for the first time; where a work is prepared
over a period of time, the portion of it that has been fixed
at any particular time constitutes the work as of that
time, and where the work has been prepared in different
versions, each version constitutes a separate work.

17 U.S.C. § 101. Does that definition answer the question?

Does the majority opinion really say what the dissent states
that it says? Or it is enough to say that, at the time a scene is
recorded, there is a work that comes into being, but only one work:
an audiovisual work with whatever sounds and images it contains,
some of which may be attributable to people acting, and some not?

3. Counting Works Part Two: Is Only One Work Created Per Act
of Fixation? Is it always true that every time a fixation is made,
only one integrated work is created, and none of the components of
that work gain separate copyright? Suppose that I formulate a
short, 15-minute lecture on copyright in my head, but I don’t write
it down. Before I give that lecture, a student asks if she can make a
video recording of me lecturing, so that she can watch it again later
in case she has missed anything I’ve said. I agree to have her record
the lecture. She records it. She makes sure that certain lights are on
the room and that others are not, with the aim of producing a
particular visual effect. She zooms in on me for some moments and
backs out to a wide angle at others. Sometimes she pans to the
audience for their (no doubt, stunned or slack jawed) reaction. The
lecture ends. What are now the best rules as to who gets to control
the use of, and potentially gain income from, the recorded lecture?

If there has only been a single audiovisual work created under
the circumstances just described, then the traditional choices
would be to deem the student and me to be joint owners of that work, or to deem one or the other of us to be the sole owner. As you will learn below in Chapter 8, if the student and I were considered to be joint owners, then either of us would have the right to use and economically exploit that work, and to make and use derivative works, subject to a duty to account to the other author for net income received. The student could rent the video, or transcribe the lecture and sell it, as long as I get half of the net profits; and I could do the same.

Is that the right result here? If, instead, the student is the sole owner of the audiovisual work, where does that leave me? Do I simply have some remedy under contract law if the student uses it for any purpose other than studying, because my contribution was necessary to making the video and the student agreed that it would be used only for studying? Or should we say that I am now the author and sole owner of copyright in a literary work – the words of the lecture – that I created, and that has now been fixed under my authority in the video? (If a third party transcribed the lecture from the video and sold it, would I be able to sue him for copyright infringement or not?) Note that Copyright Office regulations allow for a single registration application for a sound recording and for a recorded literary, dramatic, or musical work if the sound recording and the literary, dramatic, or musical work are embodied in the same phonorecord, and if the claimant for both is the same. See 37 § 202.3(b)(1)(iv). Does that suggest that two works might be created simultaneously in one fixation?

4. Are Performances Different Than Certain Other Creations? Does it matter that Ms. Garcia's contribution to the audiovisual work was a performance of sentences that someone else had written, rather than of sentences that she had created but not previously fixed? What makes a performance different than the creation of words or music? Words could be written down independently of an audiovisual recording; music also could be notated independently of a recording. We are used to seeing words and music written down independently of recordings, and used to calling the creators of words and music authors. Can the nuances
of a performance be notated independently of a recording? If they cannot, is that a good reason for saying that a performance is not an independent work, but is only a component of the work fixed by the recording? Have the contributions of performers been marginalized, and should they be better recognized, or would granting performers copyright result in too many coordination problems?

5. The Garcia Rule and Directors. Not long after the Ninth Circuit’s en banc decision in Garcia, the Second Circuit confronted a fairly similar claim in Casa Duse, Llc v. Merkin, 2015 WL 3937947, (2d Cir. 2015). The plaintiff, a film production company owned by Robert Krakovski, obtained the rights to make a movie from the author of a screenplay. He then recruited Alex Merkin to work as the film’s director, along with a cast and crew of about thirty. Everyone in the cast and crew executed a contract stipulating that they were contributing to a work made for hire except Merkin, who refused to do so despite numerous requests. Merkin ultimately claimed that he had a copyright interest in his contribution to the film as director and that if Krakovski exhibited the film at film festivals Merkin would claim infringement. Krakovski moved first and sought a declaratory judgment of non-infringement.

The Second Circuit, relying in part on Garcia, affirmed a ruling that Merkin did not have any copyright interest in the film. The court noted that “[m]otion pictures, like “pantomimes,” and “dramatic works,” are works that may be expected to contain contributions from multiple individuals. . . . But the Act lists none of the constituent parts of any of these kinds of works as ‘works of authorship.’ This uniform absence of explicit protection suggests that non-freestanding contributions to works of authorship are not ordinarily themselves works of authorship. . . . While issues of ‘coownership’ of a copyright may arise in the motion picture context, the question of separate contributions meriting separate copyrights as ‘works’ ordinarily would not, unless the motion picture incorporates separate, freestanding pieces that independently constitute ‘works of authorship.’” If the
contributions of a director or an actor are not “freestanding” and thus not works of authorship, and thus not eligible for their own separate copyrights, what portions of a motion picture might meet this test? The musical score? A 4-minute piece of computer generated animation in an otherwise live-action movie?

6. Fixation Revisited. Assuming that Ms. Garcia’s performance would be separately copyrightable, do you think that the majority or the dissent has the better position on whether that performance is properly “fixed” within the meaning of §§ 102 and 101 of the Copyright Act? Does it matter that Ms. Garcia did not operate the camera herself, if she knew that the camera was recording her performance and that the creation of the recording was the entire purpose of staging the performance? If copyright subsists in a work at the moment of fixation, does it matter that sometime after fixation, Youssef or others altered the work by changing the soundtrack?

7. Is the list of types of copyrightable works in § 102 exhaustive? Consider the list of eight categories of copyrightable works, which § 102(a) introduces with the clause “Works of authorship include the following categories.” Should that introduction be read to exclude other categories from protection? As always, it is a good idea to look at the definitions in § 101 – what does it say about the term “including”? The House Report to the 1976 Act also explicitly states that the categories “do not necessarily exhaust the scope of ‘original works of authorship’ that the bill is intended to protect.” See H.R. Rep. No. 94-1476, at 53 (1976). In 2012, however, the Copyright Office issued a policy statement concluding that the eight categories are indeed exclusive: “The flexibility granted to the courts is limited to the scope of the categories designated by Congress in section 102(a). Congress did not delegate authority to the courts to create new categories of authorship.” See Registration of Claims to Copyright, 77 Fed. Reg. 37605, 37607 (June 22, 2012). Hence, “unless a compilation of materials results a work of authorship that falls within one or more of the eight categories of authorship listed in section 102(a) of title 17, the Office will refuse registration in such a claim.”
In a case involving a sequence of yoga poses that we will discuss further in Part C of this chapter below, the Central District of California agreed, holding that the yoga sequence was not copyrightable because it did not fall into one of the eight categories. See *Bikram's College of Yoga L.P. v. Evolation Yoga LLC*, 2012 WL 6548505, *3* (C.D.Cal.). On appeal, however, the Ninth Circuit upheld the District Court’s judgment only on the ground that the yoga sequence was an “idea” rather than “expression”; it emphasized the breadth of section 102(a), noting that “[t]he beauty of this section is that it allows for the possibility that the term ‘original work of authorship’ may, as it has, evolve and encompass new forms of expression that, like choreography, are not easily reduced to neat definitions.” *Bikram's Yoga College of India, L.P. v. Evolation Yoga, LLC*, 803 F.3d 1032, 1043 (9th Cir. 2015).

Even if, contrary to the Copyright Office’s policy statement, the eight categories are not exclusive, notice the subtlety of House Report’s statement that the categories “do not necessarily exhaust the scope” of copyrightable works. That formulation may suggest the semantic limitations of a term as abstract as “works of authorship.” In considering whether something outside of the listed categories should receive copyright protection, courts may have to reason by analogy from the existing, more concrete categories, rather than ask directly whether that something is a “work of authorship.”

Suppose, for example, that there were a machine that, either mechanically or through nerve or brain stimulation, could induce very complex sequences of the sensation of touch – first a slight pinch to the left big toe combined with a rubbing sensation on the right forearm, then a tickle to the center of the back, and so on. Further suppose that, by adjusting complicated settings on the machine, someone created a ten-minute-long sequence of tactile sensations. How would you consider whether such a sequence should be protected as a “work of authorship”?

8. Words and Short Phrases: Too Small to Be “Works of Authorship”? We explored above in Chapter II.B. the possibility
that words and short phrases are not copyrightable because they lack creativity, but we questioned the reach of that explanation. An alternative textual rationale for denying protection to words and short phrases, even if creative, would be that they are not “works of authorship.” One position would be that to be a work, creative expression has to exhibit a certain minimum size, which really amounts to a minimum complexity. Paradigmatically, at least, a copyrightable work is a creation that can be appreciated and hence can be commercially marketed on its own—a song or a book, not fragments of melody or text. Before the Copyright Act of 1976, formalities such as registration before publication, or publication with proper notice, tended to ensure that most works for which federal copyright protection was claimed were independently marketable. Can you see why? The removal of such formalities has put more pressure on the definition of “work.” It may be that deeming a single word or a short phrase a “work” protectable by copyright would not create any greater incentive to coin new words and short phrases, and would also place too great a burden on freedom of speech. For some further discussion, see Justin Hughes, Size Matters (or Should) in Copyright Law, 74 Fordham L. Rev. 575 (2005).

Chapter 3  Fundamental Exceptions to Copyright Protection

B. Abstraction and “Ideas”

p. 143 – insert after note 8:

9. Making the World Safe for Batmobile Merchandising: The Ninth Circuit Broadly Protects the “Character” of a Car. A man by the name of Mark Towle made full-size, drivable replicas of two cars: the car that appeared in the 1966 television series Batman, and the car that appeared in the 1989 motion picture Batman. DC Comics sued Mr. Towle for copyright infringement. However, DC Comics did not design either of the
cars in question, nor, apparently, did it receive any assignment of copyright in the car designs from the designers. That’s because DC Comics is a comic-book publisher, which publishes, among other things, the Batman series of comic books; it licensed the rights to make the television show and movie to production companies, and those companies arranged for the car designs. If DC Comics was neither an author nor an assignee of copyright in either of the car designs, how could it sue for infringement? Its theory was that it created and was the copyright owner of the “character” of the Batmobile, and that both of the car designs, whatever their differences, were recognizable instantiations of the Batmobile character, and hence fell within the scope of its copyright.

In *DC Comics v. Towle*, 802 F.3d 1012 (9th Cir. 2015), the Ninth Circuit agreed with DC Comics. The court held that the Batmobile had “maintained distinct physical and conceptual qualities since its first appearance in the comic books in 1941.” *Id.* at 1021. As for physical characteristics, the Batmobile “is almost always bat-like in appearance, with a bat-themed front end, bat wings extending from the top or back of the car, exaggerated fenders, a curved windshield, and bat emblems on the vehicle.” *Id.* As for conceptual characteristics, the Batmobile has “consistent character traits and
attributes,” id., which is to say, it behaves consistently in the comic books, television shows, and movies. For example, it is described in the comic books as waiting “[l]ike an impatient steed straining at the reins . . . shivering as its super-charged motor throbs with energy” before it “tears after the fleeing hoodlums” an instant later.” Id. “Equally important, the Batmobile always contains the most up-to-date weaponry and technology.” Id. at 1022. Although the court acknowledged that the Batmobile does not always physically appear the same, it stated that “a consistent appearance is not as significant in our analysis as consistent character traits and attributes.” Id. The court thus concluded that the Batmobile was a character protected by copyright. Did Towle infringe that copyright? “Because Towle produced a three-dimensional expression of the entire Batmobile character as it appeared in the 1966 and 1989 productions, and the Batmobile character in each of those productions was derived from DC’s underlying work, we conclude that Towle’s replicas necessarily copied some aspects of DC’s underlying works.” Id. at 1025.

The 1966 Batmobile of which Towle made a replica

Do you see any weaknesses in this line of argument? First, while it may make sense to consider sufficiently anthropomorphized objects as characters – a Thomas the Tank Engine, or a Herbie the Love Bug – does it make sense to consider as characters even those objects that do not speak, or interact with other characters in ways we recognize as social? Second, note that because the court concludes that Towle copied “the entire Batmobile character as it appeared in the 1966 and 1989 productions,” it decides that it does not have to engage in any point-by-point comparison of Towle’s cars and DC Comics’s comic
books – “Towle’s replicas necessarily copy some aspects [and we don’t have to tell you which ones] of DC’s underlying works.” But could Towle possibly have copied “the entire Batmobile character” by constructing a car? The court suggests that the way that the Batmobile behaves in the comic books, TV shows, and movies is even more important than the way that it looks. That behavior can be depicted in literary and audiovisual works, but can an actual, ordinary car, without self-driving technology or any other means of moving or operating itself, exhibit the behavior that is such an important part of the Batmobile character? Even as to the elements of the Batmobile character that straddle the categories of physical appearance and behavior, did Towle engage in complete copying? Do you think that Towle’s replicas contained “the most up-to-date weaponry and technology?” All in all, it is possible that the court took some short cuts in analysis?

The 1989 Batmobile of which Towle made a replica

10. Can a Character Have One Foot in Copyright, and the Other in the Public Domain? Arthur Conan Doyle wrote 56 stories and 4 novels featuring the character Sherlock Holmes over a span of 40 years. Forty-six of the stories, and all four of the novels were published before 1923, and therefore, as we will explore further below in Chapter 10, have fallen into the public domain. The last ten of the stories, published between 1923 and 1927, are still under copyright. Suppose that you want to publish a new story featuring Sherlock Holmes. Do you have to obtain permission from Conan
Doyle’s heirs? In Klinger v. Conan Doyle Estate, Ltd., 2014 WL 2726187 (7th Cir., June 16, 2014), the Seventh Circuit held that other authors were free to write new Sherlock Holmes stories as long as they did not use features of the character that were only introduced in the stories that were still under copyright. Thus, for example, because Sherlock Holmes only came to like dogs in the last ten stories, other authors are free to write stories about a dog-hating Holmes (or a Holmes whose attitude towards dogs is not explored), but not about a dog-loving Holmes. See id. at *6. Does that represent a good compromise to protect both the public domain and works still under copyright? Suppose that I wrote a new Holmes story in which nothing had changed about Holmes, except that I depict him as liking the color blue. Should I now have an exclusive right lasting until 70 years after my death over a single feature of a character I did not create?

C. Utility and Functionality

p. 158 – insert the following after note 5:

6. Are some entire categories of works of authorship excluded from copyright protection due to their utility? Recall that we explored above in Chapter II.C. the issue of whether copyright protection is limited to the eight categories of works of authorship enumerated in § 102(a) of the Copyright Act. Courts have on occasion appeared to deny protection to some unenumerated categories of works due to their utility. Thus, for example, in Eltra Corp. v. Ringer, 579 F.2d 294 (4th Cir. 1978), the U.S. Court of Appeals for the Fourth Circuit upheld the refusal of the Register of Copyrights to register claims of copyright in typefaces, because the “sole intrinsic function of [a typeface] is its utility [in legibly conveying text],” id. at 297 (quoting 37 C.F.R. § 202.10(c) (1978)), and hence a typeface “is an industrial design in which the design cannot exist independently and separately as a work of art.” Id. at 297; see 37 C.F.R. § 202.1(e) (“Typeface as typeface” not registrable). Similarly, before the addition of “architectural works” as a separate
category of copyrightable works of authorship in 1990, see Architectural Works Copyright Protection Act, Act of Dec. 1, 1990, Pub. L. No. 101-650, § 701, 104 Stat. 5089, habitable structures were considered not to be copyrightable due to their intrinsic usefulness. See, e.g., Imperial Homes Corp. v. Lamont, 458 F.2d 895, 898-899 (5th Cir. 1972).

Copyright in the Real World: When Garurasana Follows Utkatasana

Some of you are likely practitioners of yoga. Yoga originated in ancient India as a school of Hindu philosophy, but has become popular in the United States and other countries as a system of physical exercise, involving breathing, meditation, and sequences of poses called “asanas” – bodily positions that increase strength, flexibility, and balance. Imagine that you are in a yoga studio in a group working through such a sequence of poses. In walks a process server to serve you a complaint claiming that the plaintiff owns copyright in the sequence of poses as a choreographic work, and alleging that you have infringed that copyright by publicly performing that sequence. Could you be held liable for infringement?

In the early 2000s, a yoga teacher and author named Bikram Choudhury began asserting that yoga instructors needed a license from him to teach “Bikram Yoga” (a term in which he asserted trademark rights), which he defined to include a specific sequence of 26 yoga asanas, as well as any other sequence that was “substantially similar” to his 26-asana sequence. Choudhury acknowledged that each individual asana was in the public domain, having existed for centuries, but claimed copyright in the sequence. He registered a claim of copyright in a book teaching that sequence in 1979.

The issue whether the 26-asana sequence was copyrightable first came to a head in a suit filed against Choudhury by a group called Open Source Yoga Unity, seeking among other things a declaration

[Go Online]
To view the 26-asana sequence as presented on the Bikram Yoga website, click here.
that Choudhury did not possess a valid copyright in the sequence. In 2005, Judge Phyllis Hamilton of the U.S. District Court for the Northern District of California wrote an opinion denying Open Source Yoga Unity’s motion for summary judgment in that suit. Judge Hamilton found that there was “a dispute of fact on the issue of whether sufficient creativity exists in the Bikram yoga routine so that copyright protection attaches.” *Open Source Yoga Unity v. Choudhury, 2005 WL 756558, *4 (N.D.Cal.). Although she did not directly consider whether copyright in the sequence was barred due to its functionality, she did note that “Choudhury claim[ed] that he arranged the asanas in a manner that was both aesthetically pleasing and in a way that he believes is best designed to improve the practitioner’s health.” The parties then settled.

More recently, Choudhury’s copyright claims have been less favorably assessed. First, in June 2012, the Copyright Office issued a Policy Statement that challenged claims of copyright to a sequence of exercises both on copyrightable subject matter and functionality grounds. As for the latter, the Copyright Office took the position that “a selection, coordination, or arrangement of exercise movements, such as a compilation of yoga poses, may be precluded from registration as a functional system or process in cases where the particular movements and the order in which they are to be performed are said to result in improvements in one’s health or physical or mental condition” – even in cases in which such a system was aesthetically appealing. *Registration of Claims to Copyright, 77 Fed.Reg. 37605, 37607 (June 22, 2012).*

Second, in a lawsuit filed by Choudhury and his company against another company and its employees that were teaching the 26-asana sequence without Choudhury’s authorization, the Central District of California granted the defendants’ motion for partial summary judgment on the issue of copyright infringement. See *Bikram’s College of Yoga L.P. v. Evolution Yoga LLC, 2012 WL 6548505, *3 (C.D.Cal.). On appeal, the Ninth Circuit affirmed, concluding that the sequence was an unprotectible “idea.” “Choudhury . . . attempts to secure copyright protection for a healing art: a system designed to yield physical benefits and a sense of well-being. Simply put, this attempt is
precluded by copyright’s idea/expression dichotomy, codified by Section 102(b).” *Bikram’s Yoga College of India, L.P. v. Evolution Yoga, LLC*, 803 F.3d 1032, 1043 (9th Cir. 2015).

What do you think? Should designers of asana sequences like Choudhury be able to claim copyright protection, or are the sequences, as practiced in yoga classes, functional under § 102(b)? (One might also ask, does a yoga class, which has no conventional audience, constitute a “public performance,” particularly since the other participants are probably trying to keep their balance rather than looking at you?). What other contexts might pose the same issue? Aerobics classes? The calisthenics routines used by college or professional football coaches?

p. 176 – insert the following before “5. Useful Articles”

4A. Application Programming Interfaces

If user interfaces provide the means by which human beings can interact with computers and computer software, “application programming interfaces,” or APIs, provide the means by which different computer programs can interact with each other. For example, operating systems like Microsoft Windows 8 or Apple OS X Mountain Lion have a specified series of commands and a command syntax that application programs like Adobe Reader or Real Player can use to control the services that the operating systems provide. Saving a file to a hard drive may be a complicated task, involving an assessment of where the hard drive has free space, a division of the file up into multiple pieces to save it in different free sectors, and so on, but the operating system takes care of that complicated task. If a programmer who is writing an application
A program wants it to save some data to a computer’s hard drive at a defined point, however, the programmer only needs to know the appropriate way to invoke the operating system through its API – that is, to insert a command that will tell the operating system to save the data – and the operating system will do the rest.

Application programming interfaces can define, not only how applications interact with operating systems, but how one application can interact with another. With the growth of the Internet, APIs have proliferated, as creators of web-based applications have sought to make them available to other web-based applications. For example, Google has published an API for Google Maps that enables web developers to integrate Google Maps into their websites in complex and sophisticated ways. APIs facilitate in the creation of “mashups,” services that combine data, functionality, or presentation from two or more web-based applications.

Some companies make APIs freely available to all who wish to use them. For instance, Microsoft makes the API of its Windows operating systems available, because the availability of lots of Windows compatible applications makes it more likely that people will use Windows. Other API developers, however, limit access to their APIs. That leads to the question whether APIs are protected by copyright law.

In Oracle America, Inc. v. Google, Inc., 750 F.3d 1339 (Fed. Cir. 2014), cert. denied, 2015 WL 2473490 (June 29, 2015), the Federal Circuit, applying Ninth Circuit law, held that the application programming interface associated with the Java programming language was copyrightable, overturning a District Court decision. The Java language and platform was first released by Sun Microsystems, Inc. in 1996; Oracle Corporation bought Sun in 2010 and renamed it Oracle America, Inc. In 2007, Google announced its Android platform for mobile devices. The Android platform used Java and the Java API, without the permission of Sun or Oracle America.
Oracle America conceded that Google was free to write programs in Java – that the basic components of the computer language itself were not copyrightable. Over the years, however, Sun and others had written many programs in Java that implemented frequently-used functions. These programs are known as “methods.” For example, one such method – a very simple one – is named “max”; it compares two numbers and produces as a result the larger of them. Sun decided which of these methods would officially become part of the Java platform. It named each of the accepted methods, organized them into coherent packages, and released them as part of Java. Someone writing a program in Java can now take advantage of these methods. Rather than writing code from scratch to perform every function needed, a programmer can simply “call” an existing method by inserting its name in a program in the proper context. All of the names of the methods that are an official part of Java, as organized into groups of “classes” and “packages,” together with the syntax for invoking them, constitute the Java application programming interface. (Properly speaking, the API does not include the pre-written methods themselves, but only the means of interacting with them.) As of 2008, Java had 166 packages containing over 600 classes and over 6000 individual methods.

When Google decided to use part of the Java API in its Android platform, it had programmers rewrite all of the methods themselves from scratch. However, it made sure that each method performed exactly the same function that it did as part of the original Java platform, and it copied the names of the methods (the “declaring code” for invoking each method in a computer program) and the way that the methods were organized into classes and packages. Oracle America sued Google, alleging that that copying amounted to infringement of Oracle America’s copyright. The District Court held that neither the names of the methods nor their organization into classes and packages was copyrightable. See *Oracle America, Inc. v. Google, Inc.*, 872 F. Supp. 2d 974 (N.D. Cal. 2012).

As to that issue of copyrightability, the Federal Circuit reversed. First, it held that the names of the methods were not rendered uncopyrightable by the merger doctrine. There were a variety of
expressions Oracle could have used as names. For example, instead of naming the method that found the larger of two numbers “Math.max,” Oracle could have named it “Math.maximum” or “Arith.larger.” Because alternatives to the expressions were available, the expressions did not merge into the ideas of the methods. Secondly, the method names or declaring code were not uncopyrightable because they were names or short phrases. There is no independent doctrine barring copyright for words or short phrases, held the court: “the relevant question for copyrightability purposes is not whether the work at issue contains short phrases—as literary works often do—but, rather, whether those phrases are creative.” Oracle America, 750 F.3d at 1362. Moreover, noted the court, Oracle was seeking to copyright, not just a single word or phrase, but the entire structure of all of the declaring code. The fact that the structure could be broken up into short phrases did not make it uncopyrightable, any more than the fact that Charles Dickens’s “A Tale of Two Cities” could be broken up into short phrases (“It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness . . .”) does not render the novel uncopyrightable. Id. at 1363.

Third, the structure, sequence and organization of packages and classes of methods was not an uncopyrightable “system” or “method of operation” under 17 U.S.C. § 102(b). The court held that the First Circuit’s decision in Lotus Development Corp. v. Borland International, Inc., 49 F.3d 807 (1st Cir.1995) [see pp. 175-176 in the Casebook] that the menu command hierarchy in the spreadsheet program Lotus 1-2-3 was uncopyrightable under § 102(b) was both distinguishable on its facts and inconsistent with Ninth Circuit law. The latter holding was more significant; the Federal Circuit held that, so long as the structure, sequence and organization of the java methods, classes and packages was “original and creative, and that the declaring code could have been written and organized in any number of ways and still have achieved the same functions, . . . Section 102(b) does not bar the packages from copyright protection just because they also perform functions.” Oracle America, 750 F.3d at 1368. Finally, whether the declaring code was copied for reasons of “interoperability” might be a factor in a decision regarding fair use (which had yet to be made in this case), but was not
relevant to copyrightability. *Id.* at 1368-1372.

Some thoughts. Oracle estimates that there are about 9 million programmers in the world who develop software based on the Java language. See [http://oracle.com.edgesuite.net/timeline/java/](http://oracle.com.edgesuite.net/timeline/java/). Because the cost for a programmer to switch to a completely new programming language is substantial, if Oracle can stop others from building platforms that are similar to the Java platform, it can charge an enormous price for licensing that platform. Should copyright law give Oracle the power to leverage the skill base and switching costs of 9 million programmers? Whatever your answer to that question, consider how different protecting a language and a module structure is from protecting a work like “The Tale of Two Cities.” Do the livelihoods of 9 million people depend upon using “The Tale of Two Cities” on a daily basis to make new and useful programs? Is there any other instance in which copyright law has been used to leverage the skills and switching costs of millions of people?

The *Oracle America* court seems to reject the “words and short phrases” doctrine as an independent limit on copyrightability. Are there reasons why we might not want to protect words and short phrases even if they are creative? Should a person who comes up with a catchy neologism—say, “binge viewing,” see [http://wordspy.com/words/bingeviewing.asp](http://wordspy.com/words/bingeviewing.asp)—be able to sue others who use it without her permission? The *Oracle America* court also suggests that a work that performs a useful function will not be deemed uncopyrightable under § 102(b) as long as there are alternative ways of performing that function. Should a round-shaped cup be copyrightable if an oval-shaped cup would also work as a drinking vessel?

5. Useful Articles

p. 189 – insert the following after note 2:

2A. Clothing and its “Decorative Function.” In late 2012, the U.S.
Court of Appeals for the Second Circuit upheld the District Court’s rejection of a copyright infringement claim involving a dress — holding that no element of the allegedly infringed dress was physically or conceptually severable from the dress as a functional item of clothing. “Clothing,” the court stated, “in addition to covering the body, serves a ‘decorative function,’ so that the decorative elements of clothing are generally ‘intrinsic’ to the overall function, rather than separable from it.” *Jovani Fashion, Ltd. v. Fiesta Fashions*, 2012 WL 4856412, **2 (2d Cir.)** (quoting *Whimsicality, Inc. v. Rubie’s Costume Co.*, 891 F.2d 452, 455 (2d Cir. 1989).

In this case, “the artistic judgment exercised in applying sequins and crystals to the dress’s bodice and in using ruched satin at the waist and layers of tulle in the skirt does not invoke in the viewer a concept other than that of clothing . . . . Rather, these design elements are used precisely to enhance the functionality of the dress as clothing for a special occasion.” *Id.*

Does the logic of “decorative function” sweep too broadly? Take the case of wrapping paper for gifts. Surely it too serves a “decorative function,” as well as perhaps the function of protecting the wrapped item. Suppose that a company manufactured a special gift wrap that was in fact cloth with sequins of selected sizes applied in different shades of blue and green to create a dappled effect, exactly as Jovani Fashion did with the bodice of its Style No. 154416. If another company copied that cloth verbatim, would an infringement suit be lost on grounds of either insufficient originality or lack of conceptual severability? What if a two-dimensional version of the dappled color pattern were printed on paper?
2.B. Cheerleading Headed to the Supreme Court. Varsity Brands designs, manufactures and sells cheerleading uniforms. So does Star Athletica. Varsity sued Star, claiming that Star copied five of Varsity designs, infringing Varsity’s copyright in those designs. In Varsity Brands, Inc. v. Star Athletica, LLC, 2014 WL 819422 (W.D. Tenn.), the U.S. District Court for the Western District of Tennessee held that the uniform designs were not copyrightable, taking inspiration from the Jovani case discussed in the note above. “A cheerleading uniform,” held the court, “loses its utilitarian function as a cheerleading uniform when it lacks all design and is merely a blank canvas. . . . [A] blank silhouette of a purported ‘cheerleading uniform’ without team colors, stripes, chevrons, and similar designs typically associated with sports in general, and cheerleading in particular, is not recognizable as a cheerleading uniform.” Id. at *8. Thus, “as a matter of law, the design of cheerleading uniforms has merged with the utilitarian function they serve.” Id.

On appeal, the Sixth Circuit reversed. Varsity Brands, Inc. v. Star Athletica, LLC, 799 F.3d 468 (6th Cir. 2015). The cheerleading uniforms, held the court, are pictorial, graphic and sculptural
works within the meaning of the Copyright Act, and they are also useful articles: they ‘have ‘an intrinsic utilitarian function,’ namely to ‘cover the body, wick away moisture, and withstand the rigors of athletic movements.’” *Id.* at 489. Thus, they are copyrightable only to the extent that they incorporate features that are physically and conceptually severable from the utilitarian aspects of the article. *Id.* at 489-490. However, the Court held, the features of the uniforms that “identify the wearer as a cheerleader and a member of a cheerleading team” are not utilitarian, because they merely “convey information” within the meaning of the Copyright Act’s definition of “useful article” in 17 U.S.C. § 101. *Id.* at 490. Similarly, held the court – specifically rejecting the *Jovani* court’s analysis – the decorative features of cheerleading uniforms are not functional; if decoration were considered to be a functional element of pictorial, graphic, and sculptural works, then virtually none of those works, even paintings of Mondrian, would be copyrightable, because they can almost all be said to serve decorative functions. *Id.* Because Varsity’s uniforms incorporated graphic designs – “the arrangement of stripes, chevrons, zigzags, and color-blocking” – that were not “functional” in the proper definition of that term and that were conceptually severable from the uniforms, the uniforms were copyrightable. *Id.* at 491-492.

Star Athletica, having thus lost in the Sixth Circuit, petitioned the Supreme Court for a writ of certiorari. On May 2, 2016, the Supreme Court granted that writ, limited to the question of “What is the appropriate test to determine when a feature of a useful article is protectable under § 101 of the Copyright Act?” *Star Athletica, L.L.C. v. Varsity Brands, Inc.*, 136 S.Ct 1823 (2016). Thus, as of this writing, we can expect some guidance from the Court on useful articles within the coming year.

Insert on p. 194, after photograph of Olympic Tower and Freedom Tower

on an architectural floor plan designated HDS-2089. These were for a house based on what is known as a “four-three-split” plan, which is a four-bedroom, three-bathroom house with a “master” bedroom or suite on one end and three more bedrooms on the other. The defendant’s plans had numerous similarities to those of the plaintiff, including the basic room layout. A jury trial resulted in a verdict for plaintiff, but the trial judge threw out that verdict and granted defendants judgment N.O.V. On appeal, the Eleventh Circuit affirmed. It observed:

[F]loor plans are subject to the “fundamental axiom that copyright protection does not extend to ideas but only to particular expressions of ideas.”

Although HDS-2089 and the Turner plans share the same general layout, this is only because both sets of plans follow the customary four–three split style, as well as the attendant industry standards. Kevin Alter, Home Design’s own expert, conceded on cross-examination that HDS-2089’s split-bedroom arrangement aligns with industry standards, as does the contiguity of the dining room, breakfast nook, and kitchen. Alter further characterized HDS-2089 as neither “unusual” nor “radically different [from] the many things that are on the market.” No one, including Home Design, owns a copyright to the idea of a four–three split style, nor to the industry standards that architects regularly heed to achieve such a split.

In reaching this conclusion, the court held that that the idea-expression question in the context of architectural works was a question of law for the court a not a question of fact for the jury, following its earlier decision in Intervest Construction, Inc. v. Canterbury Estate Homes, Inc., 554 F.3d 914, 920 (11th Cir. 2008). In a concurring opinion Judge Rosenbaum took issue with the approach of treating the issue as one of law. She said

I think that Intervest represents a wrong turn in our Circuit’s copyright jurisprudence. Specifically, Intervest holds that judges are necessarily
better able than juries to resolve whether the “average lay observer” would find “substantial similarity” between two architectural works. But we ask juries to answer this same question in all kinds of other copyright cases. Because I do not see a basis for exempting copyright cases involving architectural works from jury trials simply because the question of “substantial similarity” may be close, I respectfully disagree with *Intervest* and would steer clear of its holding, were we not bound by it.

Do you think architectural works pose special issues making the idea-expression problem more difficult for juries than is the case with literary or musical works? Do you think this is an issue on which expert testimony could be helpful, or would that only make things even more confusing for the jury? We will consider the role of experts in infringement litigation further on in the chapter on infringement, but we thought this was a nice place to get you thinking about it.
Plaintiff’s and Defendant’s Floor Plans
Copyright in the Real World: Why Isn’t the Statue of Portlandia More Famous?

The sculpture “Portlandia” as it appears in the motion picture “Body of Evidence”

In the early 1980s, the City of Portland commissioned sculptor Raymond Kaskey to create a sculpture to be placed over the main entrance of a new civic building. Kaskey created “Portlandia,” a female figure that allegorically represents the city. On October 6, 1985, the six-and-a-half ton Portlandia was unveiled as the second-largest hammered-copper sculpture in the United States – only the Statue of Liberty is larger. Yet although Portlandia has now been dramatically perched above 5th Street in downtown Portland for more than three decades, it has not become an icon of the city. Copyright law may explain why. Although Kaskey was paid $228,000 in public funds to create Portlandia, and reportedly another $100,000 in private donations, he retained copyright in the sculpture, conveying title only to the shaped copper itself – in copyright terms, the copy.

If Portlandia were a building, photos and drawings of it could be made and distributed without Kaskey’s consent. Section 120 of the Copyright Act provides:
The copyright in an architectural work that has been constructed does not include the right to prevent the making, distributing, or public display of pictures, paintings, photographs, or other pictorial representations of the work, if the building in which the work is embodied is located in or ordinarily visible from a public place.

17 U.S.C. § 120. However, the Section 120 exception does not apply to sculptures. Therefore, anyone who wants to make anything other than a fair use of a pictorial representation of Portlandia must seek a license from Kaskey. (We presume that tourist snapshots of the statue to be shown to the folks back home would count as fair uses under § 107 of the Copyright Act, covered in Chapter 5.)

Kaskey has licensed only a few uses. The original cut of the 1993 movie “Body of Evidence,” filmed in Portland and starring, among others, Madonna, featured a scene in which Madonna walked down 5th Street, with the Portlandia statue visible in the background. Kaskey sued. In settling the case, the producers agreed to delete the scene from the final cut of the movie, retaining only a four-second shot of the sculpture without any people in it, and to pay Kaskey an undisclosed sum of money. The opening credits of the television show “Portlandia” sometimes feature a one-second shot of the sculpture, but that use reportedly required long negotiations with Kaskey. Needless to say, visitors to Portland cannot buy t-shirts or other memorabilia featuring images of Portlandia.

Michael Kaskey is not the only sculptor to have filed infringement lawsuits involving depictions of public sculpture. In 1982, Jack Mackie created “Dancers’ Series: Steps” on a sidewalk in the Capitol Hill neighborhood of Seattle. That sculpture consists of eight sets of inlaid bronze shoeprints that illustrate social dances such as the tango and the mamba. Like Kaskey’s Portlandia, Mackie’s “Dancers Series: Steps” was financed with a combination of public and private funds. Mackie retained copyright in the sculpture, and filed at least two infringement lawsuits. One resulted in a judgment against the Seattle Symphony for including a photo of one of the sets
of steps in a concert season brochure; the issue of damages in that case went all the way up to the Ninth Circuit, see Mackie v. Rieser, 296 F.3d 909 (9th Cir. 2002). Another resulted in a settlement with photographer Mike Hipple. The creators of another public sculpture in Seattle, the “Fremont Troll,” have reportedly filed a number of infringement lawsuits over published photographs of the sculptures, reaching settlements with People and Sunset magazines and the University of Washington Daily. Arturo Di Modica, sculptor of “Charging Bull,” a sculpture prominently displayed in a plaza near Wall Street in Manhattan, has sued Random House, Walmart, and others for pictorially representing the sculpture. (Oddly enough, Di Modica placed his 7,100 lb. sculpture on city property without the city’s permission; the city removed the sculpture, and put it back only after public outcry at the removal.)

What do you think copyright policy should be with regard to sculptures placed in public areas? The United Kingdom, Canada, and Australia all have exceptions in their copyright laws for two-dimensional depictions of public sculptures. See Copyright, Designs and Patents Act 1988 c. 3, § 62 (UK); Copyright Act, R.S.C. 1985, c. 32.2(1) (Canada); and Copyright Act 1968 (Cth) s 65 (Australia). Should the United States adopt such an exception? Or would that raise the cost of commissioning public sculptures, because sculptors would demand more money knowing that they could not control two-dimensional depictions? Some creators of public sculptures do not want their creations to be commercialized, and will not license promotional or advertising use of images of the sculptures at any cost. Should we defer to those wishes, or is that kind of continuing artistic control incompatible with the open, civic nature of public sculpture? Of course, public agencies can always demand that sculptors convey the copyright to their sculptures as well as the sculptures themselves, and can then freely license use of them. Should that be the solution? Or will many public agencies lack adequate copyright counsel, and therefore not consider demanding transfer of copyright?
Chapter 4  Proving Infringement of the Reproduction Right

A. The Elements of a Case of Copyright Infringement

p. 206 – insert the following after note 6:

7. Disposing of a Substantial Similarity Argument on a Motion to Dismiss for Failure to State a Claim: “Nikita” and “Natasha.” In 2012, a man by the name of Guy Hobbs sued the fabulously successful composers Elton John and Bernie Taupin, as well as a music publishing company that had published some of their songs, Big Pig Music, Ltd., alleging that the lyrics to John and Taupin’s 1985 song “Nikita” infringed the lyrics of his 1982 unpublished but registered song “Natasha.” (Hobbs had sent “Natasha” to a number of publishers, including Big Pig, unsuccessfully trying to interest them in publishing it, which was how he alleged that John and Taupin gained access to it.) The District Court granted the defendants’ motion to dismiss for failure to state a claim, and the Court of Appeals affirmed. Hobbs alleged six similarities between the lyrics of the two songs:

(1) A theme of impossible love between a Western man and a Communist woman during the Cold War;
(2) References to events that never happened;
(3) Descriptions of the beloved’s light eyes;
(4) References to written correspondence to the beloved;
(5) Repetition of the beloved’s name, the word “never,” the phrase “to hold you,” the phrase “I need you,” and some form of the phrase “you will never know;” and
(6) A title which is a one-word, phonetically-similar title consisting of a three-syllable female Russian name, both beginning with the letter “N” and ending with the letter “A.”

Hobbs v. John, 722 F.3d 1089, 1094 (7th Cir. 2013). The Court of Appeals held that the first four alleged similarities were similarities of ideas only, and that the way that the ideas were expressed in
each song’s lyrics was different. *Id.* at 1095. While the fifth and sixth similarities were “present at the level of expression, they are also rudimentary, commonplace, standard, or unavoidable in popular love songs.” *Id.* at 1096. Thus, the court concluded, “as a matter of law ‘Natasha’ and ‘Nikita’ are not ‘substantially similar’ because they do not ‘share enough unique features to give rise to a breach of the duty not to copy another’s work.’” *Id.* (quoting *Peters v. West*, Peters, 692 F.3d 629, 633–34 (7th Cir. 2012).

Does this disposition on a motion to dismiss represent a welcome change-of-pace for beleaguered successful creators whose money makes them targets of extremely dubious lawsuits filed by unknowns? Or does it deny plaintiffs their days in court? Suppose that the alleged similarities between “Nikita” and “Natasha” were not in the lyrics, but in the music. Do you think that the court would be as confident in sorting musical similarities into ideas and expression, and in identifying musical features that are commonplace?

**Chapter 5  *Fair Use***

**B. The Three Supreme Court Cases**

p. 292 – Replace Note 3 with the following:

3. **Commercial Skipping: Early Attempts.** VTRs have now been replaced by DVRs, and DVRs allow viewers to skip commercials more easily. One popular aid to commercial skipping is the 30-second skip button, available on many DVRs, including most TiVo models, and on the Windows Media Center remote control. ReplayTV, an early TiVo competitor, built an even more radical technology into its 4000 and 5000 series DVRs. Those DVRs automatically detected “black screens” that most television broadcasters used to separate commercials from their programming, and used them to skip over commercials entirely, without the viewer even having to press a skip button. However, in October of 2001, television broadcasters and production companies sued ReplayTV and its owner SonicBlue, arguing that the “AutoSkip” feature “attacks the fundamental economic
underpinnings of free television and basic nonbroadcast services.” Complaint at 5, Paramount Pictures Corporation v. ReplayTV, Inc., No. 2:01 CV 09358 (C.D. Cal. Oct. 31, 2001), available at http://www.eff.org/files/filenode/Paramount_v_ReplayTV/20011031_complaint.pdf. Although there was never a ruling in the case, litigation costs appear essentially to have forced the company out of business.


More recently, a television broadcast network came up against a better-capitalized promoter of commercial skipping: the satellite TV company Dish Network, which is the third-largest pay television service provider in the United States. In March 2012, Dish Network released to its customers a set-top device with DVR and video-on-demand capabilities that it called the “Hopper.” The Hopper enables subscribers to use a service called “Prime Time Anytime,” which allows them to record shows on one or more channels simultaneously during “prime time” periods as set by Dish Network. Two months later, Dish Network started offering an “AutoHop” feature on the Hopper for television shows that were part of the “Prime Time Anytime” service. Unlike the Replay TV DVRs, which could detect “black screens” to skip commercials, the “AutoHop” feature depends on having Dish Network employees watch the shows and electronically mark the beginning and end of commercials. Those electronic markings are then made available to Dish Network subscribers who are using a Hopper and who had decided to record particular “Prime Time Anytime” shows; the Hopper can detect the marks and thus skip the commercials.

The Hopper generated several lawsuits. In May 2012, Dish sued ABC, CBS, and NBC, seeking a declaratory judgment that the AutoHop feature would not subject Dish to liability for copyright infringement; Fox, CBS, and NBC filed another suit against Dish, alleging that the AutoHop feature would subject Dish to
infringement liability. Disney, the parent company of ABC, settled with Dish in March 2014. Under the terms of the settlement, Dish agreed to disable the AutoHop feature for the first 72 hours after particular shows were first broadcast; Disney agreed to give Dish the rights to stream some content on demand, including on the Internet, and the parties also agreed to a framework for delivering targeted ads. See David Lieberman, UPDATE, Dish and Disney Finalize Output Deal that Ends Their Ad-Hopper Dispute, Deadline Hollywood, March 3, 2014; Greg Avery, Dish Network, Disney end Hopper lawsuit, reach landmark pact, Denver Business Journal, March 4, 2014.

Meanwhile, back in 2012, Fox moved for a preliminary injunction against Dish, which the District Court denied. See Fox Broadcasting Co. v. Dish Network, LLC, 905 F.Supp.2d 1088 (C.D.Cal.2012). In July 2013, the Ninth Circuit affirmed the denial of the preliminary injunction. See Fox Broadcasting Co. v. Dish Network, LLC, 747 F.3d 1060 (9th Cir. 2013); in a brief opinion, it again affirmed the District Court's denial of a preliminary injunction in July 2014. See Fox Broadcasting Co. v. Dish Network, LLC, 2014 WL 3398107 (9th Cir. 2014) Like the District Court, the Ninth Circuit concluded that the user, not Dish Network, made the copies of Prime Time Anytime shows, and thus that Dish Network could not be directly liable for copyright infringement. See Fox Broadcasting, 747 F.3d at 1067-68. (We consider the distinction between direct and indirect infringement in greater detail below in Chapter 6.) The Ninth Circuit then concluded that the making of copies of television shows by individual subscribers was likely covered by the § 107 fair use privilege. The presence of the Autohop feature meant that subscribers were likely to be making copies for the purpose of commercial-skipping, as well as time-shifting. However, the Ninth Circuit agreed with the District Court that “commercial-skipping does not implicate Fox's copyright interest because Fox owns the copyrights to the television programs, not to the ads aired in the commercial breaks.” Id. at 1068. “Thus, any analysis of the market harm should exclude consideration of
AutoHop because ad-skipping does not implicate Fox’s copyright interests.” *Id.*

Because broadcast television networks are unlikely ever to own copyright in the commercials that they air to generate revenue, the court’s logic practically renders commercial-skipping features immune from any copyright liability, and thus threatens to undermine a dominant broadcast TV revenue model. But does that logic hold water? Suppose that a television broadcaster did own copyright in the commercials it broadcasted. Should it be able to sue viewers for *not* making copies of works in which it owns copyright? Could Fox sue you if you fast forward through the songs in *Glee* to watch the dramatic portions of the show? Or in determining whether making a copy of a broadcast – activity that is prima facie infringing – is fair use, should we consider whether the purpose of the copying is to change the viewer experience in a way that undermines the broadcast revenue model?

This may also be a good moment to recall that copyright is not the only field of law that may be available to a party like Fox in the face of commercial skipping devices. Bear in mind that Dish Network is allowed to retransmit Fox’s copyrighted programming pursuant to a contract. That contract contains a copyright license provision, of course, and a reciprocal provision for significant payments in return for the privilege of retransmission. Could Fox simply add a provision to the contract forbidding Dish to include commercial-skipping features in its DVRs as a condition of the copyright license? There actually was such a provision in the contract between the parties, but it only applied to “video on demand” programming, and the court concluded that the Hopper was not a true “video on demand service.”

Note also that there is a common law tort known as “interference with prospective economic advantage.” One common statement of the elements of this claim requires the plaintiff to prove: (1) his reasonable expectation of entering into a valid business relationship; (2) the defendant’s knowledge of the plaintiff’s expectancy; (3) purposeful interference by the defendant
that prevents the plaintiff’s legitimate expectancy from ripening into a valid business relationship; and (4) damages to the plaintiff resulting from such interference.” Dowd & Dowd, Ltd. v. Gleason, 181 Ill. 2d 460, 483-84, 693 N.E.2d 358, 370 (1998). Could Fox argue that it has a reasonable expectation of selling commercial time to advertisers in the future, that Dish knows about that, and is purposefully interfering in a way that will prevent advertisers from choosing to do business with Fox in the future?

p. 294 – insert the following at the end of note 6, “Slingboxes and Cloud Services”

Apple, Amazon and Google have all introduced “cloud services,” which enable users to upload their own files, including music files, and then access those files from anywhere they can get an Internet connection. Although Amazon and Google both started their services before negotiating agreements with record companies, all three companies now apparently have agreements with the major record companies, and do not store separate copies of sound recording files when they match licensed sound recordings. However, at least Apple will allow users to upload any file, whether it matches a licensed sound recording or not; if it doesn’t, Apple will store a separate copy of the file for each user that uploads it. See Paul Reznikoff, ‘Breaking: Apple Will Allow ANY Song to be Uploaded Into Apple Music...,’ Digital Music News, Thursday, June 16, 2015

p. 326 – Insert after Note 2

2A. Parodist as Plaintiff. In looking at parody through the lens of the fair use doctrine we have been assuming that the parodist will be a defendant using fair use as a “shield” against infringement claims asserted by the copyright owner of the original work. That was certainly the situation in the Campbell case. But what if the parodist wants to use the parody as a “sword” and sue someone else for infringing the parody? Does s/he have a valid copyright interest in the parody sufficient to justify such a claim? The parody, of course, is a derivative work, since it is based upon and reworks the underlying material that it ridicules, but it is an unauthorized derivative work.
Should that affect the parodist ability to bring suit? In *Keeling v. Hars*, 809 F.3d 43, 45 (2d Cir. 2015), cert. denied, 2016 WL 1703348 (Sup. Ct. 2016), Jamie Keeling had prepared a parody stage adaptation of the movie *Point Break*, which she called *Point Break Live*. Her parody used dialogue from the original movie, but added jokes, humorous props and audience participation to lambaste the original. She subsequently licensed Eve Hars to stage a production of her parody-play, but when the term of that license expired Hars, believing that Keeling did not have a valid copyright, continued to perform the play. Keeling, of course, sued, and she prevailed in both the district court and the Second Circuit, the court holding that when “a work employs preexisting copyrighted material lawfully—as in the case of a ‘fair use’—nothing in the statute prohibits the extension of the “independent” copyright protection promised by Section 103.”

B. Some Applications

p. 343 - insert the following before note 3

2A. The Georgia State University Intranet Case. In May 2012, the U.S. District Court for the Northern District of Georgia issued a
massive 350-page opinion in the litigation involving Georgia State University intranet distribution of excerpts from academic press books. See Cambridge Univ. Press v. Becker, 863 F.Supp.2d 1190 (N.D. Ga. 2012) It is fair to say that both the District Court's general analysis and its specific holdings with respect to 74 instances of alleged infringement were quite favorable to Georgia State. As for the latter, the court held that 69 of the 74 allegedly infringing uses were noninfringing fair uses, and thus that only five uses exceeded the boundaries of fair use and were deemed infringements. In late 2014, however, the Eleventh Circuit issued an opinion on appeal that reversed the District Court ruling and remanded for further proceedings. See Cambridge University Press v. Patton, 769 F.3d 1232 (11th Cir. 2014).

The District Court and the Eleventh Circuit had contrasting approaches to the following components of fair use analysis:

- **Balancing the Four Fair Use Factors.** The District Court appeared to take an arithmetical approach to the four fair use factors, weighing each factor equally: if three of the factors weighed in favor of fair use, then the use was fair, whereas if three of them weighed against, the use was unfair. The Court of Appeals held that it was error to take such an approach: “a given factor may be more or less important in determining whether a particular use should be considered fair under the specific circumstances of the case.” Patton, 769 F.3d at 1260. It noted in particular that the resolution of one factor can influence the weight given to another – for example, “[b]ecause Defendants’ use is non-transformative and fulfills the educational purposes that Plaintiffs, at least in part, market their works for, the threat of market substitution here is great and thus the fourth factor looms large in the overall fair use analysis.” Patton, 769 F3d at 1275.

- **The Purpose and Character of the Use.** The Court of Appeals agreed with the District Court that because the use was for nonprofit educational purposes, the the first factor weighed in favor of fair use. The Court of Appeals specifically found that the use
was nontransformative, but held that the first factor still weighed in favor of fair use because of the nonprofit educational character of the use. Both courts distinguished the *Michigan Document Services* case on the ground that the latter involved a for-profit copyshop, while Georgia State operated its own intranet. Suppose that Georgia State decided that, copyright issues aside, it made more sense to have the university’s intranet hosted on the servers of a for-profit company like Amazon.com, rather than to own and operate its own servers. Would and should that make a difference in fair use analysis? Can you imagine structuring intranet service arrangements between universities and for-profit companies in ways that might be more or less likely weigh against fair use?

- *The Nature of the Copyrighted Work.* The District Court held that although none of the excerpts in question was fictional, they were “intended to inform and educate,” and this characteristic weighed in favor of fair use. Becker, 863 F. Supp. at 1225. The Court of Appeals disagreed. “Where the excerpts of Plaintiffs’ works contained evaluative, analytical, or subjectively descriptive material that surpasses the bare facts necessary to communicate information, or derives from the author’s experiences or opinions, the District Court should have held that the second factor was neutral, or even weighed against fair use in cases of excerpts that were dominated by such material.” *Patton*, 769 F.3d at 1270. However, the Court of Appeals also concluded that the second factor was relatively unimportant in this case. *Id.*

- *The Amount of the Portion Used.* The District Court decided to develop some rules of thumb respecting the portion of a work used, which could be applied given the other circumstances of the case (nonprofit educational use, and so one). The Court decided that it would be a permissible fair use to copy up to 10% of a book with ten or fewer chapters, or up to one full chapter of a book with more than ten chapters. Becker, 863 F. Supp. at 1243. In determining percentages, the court agreed with defendants that front and back matter—tables of contents, indices, prefaces, and the like—should be counted as
part of the total number of pages in the book. *Id.* at 1229-1230. Although some of the books were collections of stand-alone chapters written by different authors, the court ruled that that would not affect the calculation, in part because plaintiffs had made that argument too late. *Id.* at 1230.

The Court of Appeals held that this approach was in error. “The District Court should have analyzed each instance of alleged copying individually, considering the quantity and the quality of the material taken—including whether the material taken constituted the heart of the work—and whether that taking was excessive in light of the educational purpose of the use and the threat of market substitution.” *Patton,* 769 F.3d at 1275. Does the District Court’s adoption of rules of thumb suggest how difficult it is as a practical matter to apply fair use analysis to hundreds or thousands of individual uses? Does a District Court judge really have to time to read hundreds of complete works, portions of which were placed on a University intranet, to decide whether each portion did or did not constitute the heart of the work from which it was taken? Will fair use adjudication break down in an era of ridiculously easy copying-and-pasting of excerpts?

- **The Effect on the Potential Market for the Work.** Both courts put a great deal of weight on whether licenses to distribute excerpts digitally through intranets were available at the time the defendants made their allegedly infringing uses. As the Court of Appeals put it, “[i]f a publisher makes licenses available for some uses but not for others, this indicates that the publisher has likely made a reasoned decision not to enter the licensing market for those uses, which implies that the value of that market is minimal.” *Id.* at 1278. Suppose that a publisher decided to license photocopied excerpts, but not digital distribution, because it was afraid that copies of the digital excerpts would be further distributed on an unlicensed basis. Should it have to face the consequence of losing all control over and revenue from educational distribution because it will then be deemed fair use?
5. Degrees of Commerciality? In each of the fair use cases presented above, the issue of whether a use is commercial seems to be approached on an “either/or” basis: either the use is commercial, or it is nonprofit or personal. Is there room in the analysis for degrees of commerciality? Consider the fair use analysis in the case of Seltzer v. Green Day, Inc., No. CV 10-2103 PSG (PLAx) (C.D. Cal., filed March 23, 2010). Seltzer concerned the use of a drawing called “Scream Icon,” created by artist Derek Seltzer. Another artist, working with the band Green Day, modified the drawing in a number of ways, most prominently by superimposing red brush strokes in the shape of a cross on it. The result was then projected as a prominent stage backdrop during
live performances (and on the official video) of Green Day’s song “East Jesus Nowhere.” Seltzer sued for copyright infringement.

The court not only granted Green Day’s motion for summary judgment on its fair use defense, but ordered Seltzer to pay Green Day’s attorney’s fees. See Seltzer v. Green Day, Inc., 2011 WL 5834626 (C.D. Cal). As for Seltzer’s contention that the commercial nature of Green Day’s use weighed against fair use, the court stated: “Although Plaintiff is correct that Defendants profited from the concert tour, the commercial significance of Defendants’ use of Scream Icon is minimal, if not negligible. The Scream Icon image was not used on any merchandise, ticket stubs, or advertisements, and Plaintiff presents no evidence otherwise showing that Defendants used Scream Icon to directly promote Green Day’s concert tours or increase concert sales.” Seltzer v. Green Day, Inc., No. CV 10-2103 PSG (PLAx) (C.D. Cal., August 18, 2011). Suppose at every Green Day concert, recordings by other popular bands were played before the show and during intermission, unannounced and unlicensed. Would that be a “negligibly commercial” public performance of those recordings?

6. The Use of Scientific Articles as Prior Art in Patent Prosecution.
In American Geophysical Union v. Texaco, Inc., 60 F.3d 913 (2d Cir. 1994), a case mentioned in Michigan Document Services, the Second Circuit held that Texaco’s photocopying of scientific articles for internal distribution and archiving was not fair use. Suppose that the firm copying scientific articles was not a petroleum company, but a law firm, and it was doing so to fulfill its clients’ legal duty to submit “prior art” when prosecuting a patent application – would that be a fair use?

In 2012, the American Institute of Physics and John Wiley & Sons filed four infringement lawsuits against law firms for such copying. Originally, they alleged that submitting copies of scientific articles to the U.S. Patent & Trademark Office without permission of the owners of copyright in those articles amounted to copyright infringement. Later, they dropped that specific
allegation, but argued that any other copying or distribution by the law firm, other than the actual submission to the PTO, constituted infringement. Should a law firm have to pay a licensing fee when it is copying scientific articles in connection with patent prosecution? Two of the cases settled before any decision on the merits. In the other two cases, the courts held that the law firm’s uses qualified as fair uses. See American Inst. of Physics v. Winstead PC, 2013 WL 6242843 (N.D. Tex.); American Inst. of Physics v. Schwegman, Lundberg & Woessner, P.A., 2013 WL 4666330 (D. Minn.). Key to the courts’ decisions was their findings that the law firms’ use of the articles was a transformative use. As the Winstead court put it:

The original function of [academic] articles is to provide scientists, researchers, teachers, students, and other interested persons information to keep abreast of current developments in a particular field . . . . However, once a reader seeks to patent an invention, the reader must present copies to the USPTO informing it of the state of industry at the time of the application . . . . At this point, the [article] is transformed from an item of expressive content to evidence of the facts within it; the expressive content becomes merely incidental.

Winstead, 2013 WL 6242843, at *5. Suppose that my political opponent states that he believes in creationism, but once wrote a book called “In Defense of Darwinism.” I make 10,000 copies of his book and send them to voters who will be choosing between me and him in the next election. If he sues me for copyright infringement, should I have a defense of fair use? What might distinguish my case from the law firm patent prosecution case?
Insert on p. 347, after the end of the “Copyright in the Real World” box:

Authors Guild v. Google, Inc.
United States Court of Appeals for the Second Circuit, 2015
804 F.3d 302

LEVAL, Circuit Judge:

BACKGROUND

I. Plaintiffs
The author-plaintiffs are Jim Bouton, author of Ball Four; Betty Miles, author of The Trouble with Thirteen; and Joseph Goulden, author of The Superlawyers: The Small and Powerful World of the Great Washington Law Firms. Each of them has a legal or beneficial ownership in the copyright for his or her book. Their books have been scanned without their permission by Google, which made them available to Internet users for search and snippet view on Google’s website.

II. Google Books and the Google Library Project
Google’s Library Project, which began in 2004, involves bi-lateral agreements between Google and a number of the world’s major research libraries. Under these agreements, the participating libraries select books from their collections to submit to Google for inclusion in the project. Google makes a digital scan of each book, extracts a machine-readable text, and creates an index of the machine-readable text of each book. Google retains the original scanned image of each book, in part so as to improve the accuracy of the machine-readable texts and indices as image-to-text conversion technologies improve.

Since 2004, Google has scanned, rendered machine-readable, and indexed more than 20 million books, including both copyrighted works and works in the public domain. The vast majority of the books are non-fiction, and most are out of print. All of the digital information created by Google in the process is stored on servers protected by the same security systems Google uses to shield its own confidential information.

The digital corpus created by the scanning of these millions of books enables the Google Books search engine. Members of the public who access the Google Books website can enter search words or terms of
their own choice, receiving in response a list of all books in the database in which those terms appear, as well as the number of times the term appears in each book. A brief description of each book, entitled “About the Book,” gives some rudimentary additional information, including a list of the words and terms that appear with most frequency in the book. It sometimes provides links to buy the book online and identifies libraries where the book can be found. The search tool permits a researcher to identify those books, out of millions, that do, as well as those that do not, use the terms selected by the researcher. Google notes that this identifying information instantaneously supplied would otherwise not be obtainable in lifetimes of searching.

No advertising is displayed to a user of the search function. Nor does Google receive payment by reason of the searcher's use of Google's link to purchase the book.

The search engine also makes possible new forms of research, known as “text mining” and “data mining.” Google's “ngrams” research tool draws on the Google Library Project corpus to furnish statistical information to Internet users about the frequency of word and phrase usage over centuries. This tool permits users to discern fluctuations of interest in a particular subject over time and space by showing increases and decreases in the frequency of reference and usage in different periods and different linguistic regions. It also allows researchers to comb over the tens of millions of books Google has scanned in order to examine “word frequencies, syntactic patterns, and thematic markers” and to derive information on how nomenclature, linguistic usage, and literary style have changed over time. Authors Guild, Inc., 954 F.Supp.2d at 287. The district court gave as an example “track[ing] the frequency of references to the United States as a single entity ('the United States is') versus references to the United States in the plural ('the United States are') and how that usage has changed over time.” Id.

The Google Books search function also allows the user a limited viewing of text. In addition to telling the number of times the word or term selected by the searcher appears in the book, the search function will display a maximum of three “snippets” containing it. A snippet is a horizontal segment comprising ordinarily an eighth of a page. Each page of a conventionally formatted book in the Google Books database is divided into eight non-overlapping horizontal segments, each such horizontal segment being a snippet. (Thus, for such a book with 24
Copyright: A Contemporary Approach

lines to a page, each snippet is comprised of three lines of text.) Each search for a particular word or term within a book will reveal the same three snippets, regardless of the number of computers from which the search is launched. Only the first usage of the term on a given page is displayed. Thus, if the top snippet of a page contains two (or more) words for which the user searches, and Google’s program is fixed to reveal that particular snippet in response to a search for either term, the second search will duplicate the snippet already revealed by the first search, rather than moving to reveal a different snippet containing the word because the first snippet was already revealed. Google’s program does not allow a searcher to increase the number of snippets revealed by repeated entry of the same search term or by entering searches from different computers. A searcher can view more than three snippets of a book by entering additional searches for different terms. However, Google makes permanently unavailable for snippet view one snippet on each page and one complete page out of every ten—a process Google calls “blacklisting.”

Google also disables snippet view entirely for types of books for which a single snippet is likely to satisfy the searcher’s present need for the book, such as dictionaries, cookbooks, and books of short poems. Finally, since 2005, Google will exclude any book altogether from snippet view at the request of the rights holder by the submission of an online form.

* * * *

**DISCUSSION**

**I. The Law of Fair Use**

* * * *

Although well established in the common law development of copyright, fair use was not recognized in the terms of our statute until the adoption of § 107 in the Copyright Act of 1976. 17 U.S.C. §§ 101 et seq.

* * * *

Furthermore, notwithstanding fair use’s long common-law history, not until the [Supreme Court’s ruling in *Campbell v. Acuff–Rose Music, Inc.*, 510 U.S. 569 (1994)] did courts undertake to explain the standards
for finding fair use.

The *Campbell* Court undertook a comprehensive analysis of fair use’s requirements, discussing every segment of § 107. Beginning with the examples of purposes set forth in the statute’s preamble, the Court made clear that they are “illustrative and not limitative” and “provide only general guidance about the sorts of copying that courts and Congress most commonly ha [ve] found to be fair uses.” *510 U.S.* at 577–578, 114 S.Ct. 1164 (internal quotations and citations omitted). The statute “calls for case-by-case analysis” and “is not to be simplified with bright-line rules.” *Id.* at 577, 114 S.Ct. 1164. Section 107’s four factors are not to “be treated in isolation, one from another. All are to be explored, and the results weighed together, in light of the purposes of copyright.” *Id.* at 578, 114 S.Ct. 1164. Each factor thus stands as part of a multifaceted assessment of the crucial question: how to define the boundary limit of the original author’s exclusive rights in order to best serve the overall objectives of the copyright law to expand public learning while protecting the incentives of authors to create for the public good.

At the same time, the Supreme Court has made clear that some of the statute’s four listed factors are more significant than others. The Court observed in *Harper & Row Publishers, Inc. v. Nation Enterprises* that the fourth factor, which assesses the harm the secondary use can cause to the market for, or the value of, the copyright for the original, “is undoubtedly the single most important element of fair use.” *471 U.S.* 539, 566, 105 S.Ct. 2218, 85 L.Ed.2d 588 (1985) (citing MELVILLE B. NIMMER, 3 NIMMER ON COPYRIGHT § 13.05[A], at 13–76 (1984)). This is consistent with the fact that the copyright is a commercial right, intended to protect the ability of authors to profit from their exclusive right to merchandise their own work.

In *Campbell*, the Court stressed also the importance of the first factor, the “purpose and character of the secondary use.” 17 U.S.C. § 107(1). The more the appropriator is using the copied material for new, transformative purposes, the more it serves copyright’s goal of enriching public knowledge and the less likely it is that the appropriation will serve as a substitute for the original or its plausible derivatives, shrinking the protected market opportunities of the copyrighted work. *510 U.S.* at 591, 114 S.Ct. 1164 (noting that, when the secondary use is transformative, “market substitution is at least less certain, and market harm may not be so readily inferred.”).
With this background, we proceed to discuss each of the statutory factors, as illuminated by *Campbell* and subsequent case law, in relation to the issues here in dispute.

**II. The Search and Snippet View Functions**

**A. Factor One**

(1) **Transformative purpose.** *Campbell*’s explanation of the first factor’s inquiry into the “purpose and character” of the secondary use focuses on whether the new work, “in Justice Story’s words . . . merely ‘supersede[s] the objects’ of the original creation, . . . or instead adds something new, with a further purpose . . . .” *Id.* at 578–579, 114 S.Ct. 1164 (citations omitted). While recognizing that a transformative use is “not absolutely necessary for a finding of fair use,” the opinion further explains that the “goal of copyright, to promote science and the arts, is generally furthered by the creation of transformative works” and that “[s]uch works thus lie at the heart of the fair use doctrine’s guarantee of breathing space within the confines of copyright.” *Id.* at 579, 114 S.Ct. 1164. In other words, transformative uses tend to favor a fair use finding because a transformative use is one that communicates something new and different from the original or expands its utility, thus serving copyright’s overall objective of contributing to public knowledge.

The word “transformative” cannot be taken too literally as a sufficient key to understanding the elements of fair use. It is rather a suggestive symbol for a complex thought, and does not mean that any and all changes made to an author’s original text will necessarily support a finding of fair use. The Supreme Court’s discussion in *Campbell* gave important guidance on assessing when a transformative use tends to support a conclusion of fair use. The defendant in that case defended on the ground that its work was a parody of the original and that parody is a time-honored category of fair use. Explaining why parody makes a stronger, or in any event more obvious, claim of fair use than satire, the Court stated,

[T]he heart of any parodist’s claim to quote from existing material . . . is the use of . . . a prior author’s composition to . . . *comment*[] on that author’s works . . . . If, on the contrary, the commentary has no critical bearing on the substance or style of the original composition, which the alleged infringer
merely uses to get attention or to avoid the drudgery in working up something fresh, the claim to fairness in borrowing from another’s work diminishes accordingly (if it does not vanish) . . . . 

Id. at 580–81, 114 S.Ct. 1164 (emphasis added). In other words, the would-be fair user of another’s work must have justification for the taking . . . . This part of the Supreme Court’s discussion is significant in assessing Google’s claim of fair use because, as discussed extensively below, Google’s claim of transformative purpose for copying from the works of others is to provide otherwise unavailable information about the originals.

A further complication that can result from oversimplified reliance on whether the copying involves transformation is that the word “transform” also plays a role in defining “derivative works,” over which the original rights holder retains exclusive control. Section 106 of the Act specifies the “exclusive right[]” of the copyright owner “(2) to prepare derivative works based upon the copyrighted work.” See 17 U.S.C. § 106. The statute defines derivative works largely by example, rather than explanation. The examples include “translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgement, condensation,” to which list the statute adds “any other form in which a work may be . . . transformed.” 17 U.S.C. § 101 (emphasis added). . . . The statutory definition suggests that derivative works generally involve transformations in the nature of changes of form. 17 U.S.C. § 101. By contrast, copying from an original for the purpose of criticism or commentary on the original or provision of information about it, tends most clearly to satisfy Campbell’s notion of the “transformative” purpose involved in the analysis of Factor One.

With these considerations in mind, we first consider whether Google’s search and snippet views functions satisfy the first fair use factor with respect to Plaintiffs’ rights in their books. (The question whether these functions might infringe upon Plaintiffs’ derivative rights is discussed in the next Part.)

(2) Search Function. We have no difficulty concluding that Google’s making of a digital copy of Plaintiffs’ books for the purpose of enabling a search for identification of books containing a term of interest to the searcher involves a highly transformative purpose, in the sense
intended by Campbell. In [Authors Guild, Inc. v. HathiTrust, 755 F.3d 87, 95 (2d Cir.2014)], authors brought claims of copyright infringement against HathiTrust, an entity formed by libraries participating in the Google Library Project to pool the digital copies of their books created for them by Google. . . . Among the challenged uses was HathiTrust’s offer to its patrons of “full-text searches,” which, very much like the search offered by Google Books to Internet users, permitted patrons of the libraries to locate in which of the digitized books specific words or phrases appeared. 755 F.3d at 98.

* * * *

Notwithstanding that the libraries had downloaded and stored complete digital copies of entire books, we noted that such copying was essential to permit searchers to identify and locate the books in which words or phrases of interest to them appeared. Id. at 97. We concluded “that the creation of a full-text searchable database is a quintessentially transformative use ... [as] the result of a word search is different in purpose, character, expression, meaning, and message from the page (and the book) from which it is drawn.” Id. We cited A.V. ex rel. Vanderhye v. iParadigms, LLC, 562 F.3d 630, 639–40 (4th Cir.2009), Perfect 10, Inc. v. Amazon.com, Inc., 508 F.3d 1146, 1165 (9th Cir.2007), and Kelly v. Arriba Soft Corp., 336 F.3d 811, 819 (9th Cir.2003) as examples of cases in which courts had similarly found the creation of complete digital copies of copyrighted works to be transformative fair uses when the copies “served a different function from the original.” HathiTrust, 755 F.3d at 97.

As with HathiTrust (and iParadigms), the purpose of Google’s copying of the original copyrighted books is to make available significant information about those books, permitting a searcher to identify those that contain a word or term of interest, as well as those that do not include reference to it. In addition, through the ngrams tool, Google allows readers to learn the frequency of usage of selected words in the aggregate corpus of published books in different historical periods. We have no doubt that the purpose of this copying is the sort of transformative purpose described in Campbell as strongly favoring satisfaction of the first factor.

We recognize that our case differs from HathiTrust in two potentially significant respects. First, HathiTrust did not “display to the user any text from the underlying copyrighted work,” 755 F.3d at 91, whereas
Google Books provides the searcher with snippets containing the word that is the subject of the search. Second, HathiTrust was a nonprofit educational entity, while Google is a profit-motivated commercial corporation. We discuss those differences below.

(3) Snippet View. Plaintiffs correctly point out that this case is significantly different from HathiTrust in that the Google Books search function allows searchers to read snippets from the book searched, whereas HathiTrust did not allow searchers to view any part of the book. Snippet view adds important value to the basic transformative search function, which tells only whether and how often the searched term appears in the book. Merely knowing that a term of interest appears in a book does not necessarily tell the searcher whether she needs to obtain the book, because it does not reveal whether the term is discussed in a manner or context falling within the scope of the searcher’s interest. For example, a searcher seeking books that explore Einstein’s theories, who finds that a particular book includes 39 usages of “Einstein,” will nonetheless conclude she can skip that book if the snippets reveal that the book speaks of “Einstein” because that is the name of the author’s cat. In contrast, the snippet will tell the searcher that this is a book she needs to obtain if the snippet shows that the author is engaging with Einstein’s theories.

Google’s division of the page into tiny snippets is designed to show the searcher just enough context surrounding the searched term to help her evaluate whether the book falls within the scope of her interest (without revealing so much as to threaten the author’s copyright interests). Snippet view thus adds importantly to the highly transformative purpose of identifying books of interest to the searcher. With respect to the first factor test, it favors a finding of fair use (unless the value of its transformative purpose is overcome by its providing text in a manner that offers a competing substitute for Plaintiffs’ books, which we discuss under factors three and four below).

(4) Google’s Commercial Motivation. Plaintiffs also contend that Google’s commercial motivation weighs in their favor under the first factor. Google’s commercial motivation distinguishes this case from HathiTrust, as the defendant in that case was a non-profit entity founded by, and acting as the representative of, libraries. Although Google has no revenues flowing directly from its operation of the Google Books functions, Plaintiffs stress that Google is profit-
motivated and seeks to use its dominance of book search to fortify its overall dominance of the Internet search market, and that thereby Google indirectly reaps profits from the Google Books functions.

For these arguments Plaintiffs rely primarily on two sources. First is Congress’s specification in spelling out the first fair use factor in the text of § 107 that consideration of the “purpose and character of the [secondary] use” should “include[e] whether such use is of a commercial nature or is for nonprofit educational purposes.” Second is the Supreme Court’s assertion in dictum in Sony Corporation of America v. Universal City Studios, Inc, that “every commercial use of copyrighted material is presumptively . . . unfair.” 464 U.S. 417, 451, 104 S.Ct. 774, 78 L.Ed.2d 574 (1984). If that were the extent of precedential authority on the relevance of commercial motivation, Plaintiffs’ arguments would muster impressive support. However, while the commercial motivation of the secondary use can undoubtedly weigh against a finding of fair use in some circumstances, the Supreme Court, our court, and others have eventually recognized that the Sony dictum was enormously overstated.

The Sixth Circuit took the Sony dictum at its word in Acuff–Rose Music, Inc. v. Campbell, concluding that, because the defendant rap music group’s spoof of the plaintiff’s ballad was done for profit, it could not be fair use. 972 F.2d 1429, 1436–1437 (6th Cir.1992). The Supreme Court reversed on this very point, observing that “Congress could not have intended” such a broad presumption against commercial fair uses, as “nearly all of the illustrative uses listed in the preamble paragraph of § 107 . . . are generally conducted for profit in this country.” Campbell, 510 U.S. at 584, 114 S.Ct. 1164 (internal quotation marks and citations omitted).

* * * *

While we recognize that in some circumstances, a commercial motivation on the part of the secondary user will weigh against her, especially, as the Supreme Court suggested, when a persuasive transformative purpose is lacking, Campbell, 510 U.S. at 579, 114 S.Ct. 1164, we see no reason in this case why Google's overall profit motivation should prevail as a reason for denying fair use over its highly convincing transformative purpose, together with the absence of significant substitutive competition, as reasons for granting fair use. Many of the most universally accepted forms of fair use, such as news
reporting and commentary, quotation in historical or analytic books, reviews of books, and performances, as well as parody, are all normally done commercially for profit.

**B. Factor Two**
The second fair use factor directs consideration of the “nature of the copyrighted work.” . . .

The second factor has rarely played a significant role in the determination of a fair use dispute. See WILLIAM F. PATRY, PATRY ON FAIR USE § 4.1 (2015). The Supreme Court in *Harper & Row* made a passing observation in dictum that, “[t]he law generally recognizes a greater need to disseminate factual works than works of fiction or fantasy.” 471 U.S. 539, 563, 105 S.Ct. 2218 (1985). Courts have sometimes speculated that this might mean that a finding of fair use is more favored when the copying is of factual works than when copying is from works of fiction. However, while the copyright does not protect facts or ideas set forth in a work, it does protect that author's manner of expressing those facts and ideas. At least unless a persuasive fair use justification is involved, authors of factual works, like authors of fiction, should be entitled to copyright protection of their protected expression.

* * * *

Nothing in this case influences us one way or the other with respect to the second factor considered in isolation. To the extent that the “nature” of the original copyrighted work necessarily combines with the “purpose and character” of the secondary work to permit assessment of whether the secondary work uses the original in a “transformative” manner, as the term is used in *Campbell*, the second factor favors fair use not because Plaintiffs' works are factual, but because the secondary use transformatively provides valuable information about the original, rather than replicating protected expression in a manner that provides a meaningful substitute for the original.

**C. Factor Three**
The third statutory factor instructs us to consider “the amount and substantiality of the portion used in relation to the copyrighted work as a whole.”
(1) Search Function. . . The Supreme Court said in *Campbell* that “the extent of permissible copying varies with the purpose and character of the use” and characterized the relevant questions as whether “the amount and substantiality of the portion used ... are reasonable in relation to the purpose of the copying,” *Campbell*, 510 U.S. at 586–587, 114 S.Ct. 1164 . . . .

In *HathiTrust*, our court concluded in its discussion of the third factor that “[b]ecause it was reasonably necessary for the [HathiTrust Digital Library] to make use of the entirety of the works in order to enable the full-text search function, we do not believe the copying was excessive.” 755 F.3d at 98. As with *HathiTrust*, not only is the copying of the totality of the original reasonably appropriate to Google’s transformative purpose, it is literally necessary to achieve that purpose. If Google copied less than the totality of the originals, its search function could not advise searchers reliably whether their searched term appears in a book (or how many times). . . .

(2) Snippet View. Google’s provision of snippet view makes our third factor inquiry different from that inquiry in *HathiTrust*. What matters in such cases is not so much “the amount and substantiality of the portion used” in making a copy, but rather the amount and substantiality of what is thereby made accessible to a public for which it may serve as a competing substitute.

We . . . conclude that, at least as presently structured by Google, the snippet view does not reveal matter that offers the marketplace a significantly competing substitute for the copyrighted work.

Google has constructed the snippet feature in a manner that substantially protects against its serving as an effectively competing substitute for Plaintiffs’ books. In the Background section of this opinion, we describe a variety of limitations Google imposes on the snippet function. These include the small size of the snippets (normally one eighth of a page), the blacklisting of one snippet per page and of one page in every ten, the fact that no more than three snippets are shown—and no more than one per page—for each term
searched, and the fact that the same snippets are shown for a searched term no matter how many times, or from how many different computers, the term is searched. In addition, Google does not provide snippet view for types of books, such as dictionaries and cookbooks, for which viewing a small segment is likely to satisfy the searcher's need. The result of these restrictions is, so far as the record demonstrates, that a searcher cannot succeed, even after long extended effort to multiply what can be revealed, in revealing through a snippet search what could usefully serve as a competing substitute for the original.

* * * *

D. Factor Four

The fourth fair use factor, “the effect of the [copying] use upon the potential market for or value of the copyrighted work,” focuses on whether the copy brings to the marketplace a competing substitute for the original, or its derivative, so as to deprive the rights holder of significant revenues because of the likelihood that potential purchasers may opt to acquire the copy in preference to the original. Because copyright is a commercial doctrine whose objective is to stimulate creativity among potential authors by enabling them to earn money from their creations, the fourth factor is of great importance in making a fair use assessment. See Harper & Row, 471 U.S. at 566, 105 S.Ct. 2218 (describing the fourth factor as “undoubtedly the single most important element of fair use”).

Campbell stressed the close linkage between the first and fourth factors, in that the more the copying is done to achieve a purpose that differs from the purpose of the original, the less likely it is that the copy will serve as a satisfactory substitute for the original. 510 U.S. at 591, 114 S.Ct. 1164. Consistent with that observation, the HathiTrust court found that the fourth factor favored the defendant and supported a finding of fair use because the ability to search the text of the book to determine whether it includes selected words “does not serve as a substitute for the books that are being searched.” 755 F.3d at 100.

However, Campbell’s observation as to the likelihood of a secondary use serving as an effective substitute goes only so far. Even if the purpose of the copying is for a valuably transformative purpose, such copying might nonetheless harm the value of the copyrighted original if done in a manner that results in widespread revelation of sufficiently significant portions of the original as to make available a significantly
competing substitute. The question for us is whether snippet view, notwithstanding its transformative purpose, does that. We conclude that, at least as snippet view is presently constructed, it does not.

Especially in view of the fact that the normal purchase price of a book is relatively low in relation to the cost of manpower needed to secure an arbitrary assortment of randomly scattered snippets, we conclude that the snippet function does not give searchers access to effectively competing substitutes. Snippet view, at best and after a large commitment of manpower, produces discontinuous, tiny fragments, amounting in the aggregate to no more than 16% of a book. This does not threaten the rights holders with any significant harm to the value of their copyrights or diminish their harvest of copyright revenue.

We recognize that the snippet function can cause some loss of sales. There are surely instances in which a searcher’s need for access to a text will be satisfied by the snippet view, resulting in either the loss of a sale to that searcher, or reduction of demand on libraries for that title, which might have resulted in libraries purchasing additional copies. But the possibility, or even the probability or certainty, of some loss of sales does not suffice to make the copy an effectively competing substitute that would tilt the weighty fourth factor in favor of the rights holder in the original. There must be a meaningful or significant effect “upon the potential market for or value of the copyrighted work.” 17 U.S.C. § 107(4).

Furthermore, the type of loss of sale envisioned above will generally occur in relation to interests that are not protected by the copyright. A snippet’s capacity to satisfy a searcher’s need for access to a copyrighted book will at times be because the snippet conveys a historical fact that the searcher needs to ascertain.

* * * * *

[An author’s] copyright does not extend to the facts communicated by his book. It protects only the author’s manner of expression. Hoehling v. Universal City Studios, Inc., 618 F.2d 972, 974 (2d Cir.1980) (“A grant of copyright in a published work secures for its author a limited monopoly over the expression it contains.”) (emphasis added).

* * * *
Even if the snippet reveals some authorial expression, because of the brevity of a single snippet and the cumbersome, disjointed, and incomplete nature of the aggregation of snippets made available through snippet view, we think it would be a rare case in which the searcher's interest in the protected aspect of the author's work would be satisfied by what is available from snippet view, and rarer still—because of the cumbersome, disjointed, and incomplete nature of the aggregation of snippets made available through snippet view—that snippet view could provide a significant substitute for the purchase of the author's book.

Accordingly, considering the four fair use factors in light of the goals of copyright, we conclude that Google's making of a complete digital copy of Plaintiffs' works for the purpose of providing the public with its search and snippet view functions (at least as snippet view is presently designed) is a fair use and does not infringe Plaintiffs' copyrights in their books.

III. Derivative Rights in Search and Snippet View

Plaintiffs next contend that, under Section 106(2), they have a derivative right in the application of search and snippet view functions to their works, and that Google has usurped their exclusive market for such derivatives.

There is no merit to this argument. As explained above, Google does not infringe Plaintiffs' copyright in their works by making digital copies of them, where the copies are used to enable the public to get information about the works, such as whether, and how often they use specified words or terms (together with peripheral snippets of text, sufficient to show the context in which the word is used but too small to provide a meaningful substitute for the work's copyrighted expression). The copyright resulting from the Plaintiffs' authorship of their works does not include an exclusive right to furnish the kind of information about the works that Google's programs provide to the public. For substantially the same reasons, the copyright that protects Plaintiffs' works does not include an exclusive derivative right to supply such information through query of a digitized copy.

The extension of copyright protection beyond the copying of the work in its original form to cover also the copying of a derivative reflects a clear and logical policy choice. An author's right to control and profit from the dissemination of her work ought not to be evaded by conversion of the work into a different form. The author of a book
written in English should be entitled to control also the dissemination of the same book translated into other languages, or a conversion of the book into a film. The copyright of a composer of a symphony or song should cover also conversions of the piece into scores for different instrumentation, as well as into recordings of performances.

This policy is reflected in the statutory definition, which explains the scope of the “derivative” largely by examples—including “a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgement, [or] condensation”—before adding, “or any other form in which a work may be recast, transformed, or adapted.” 17 U.S.C. § 101. As noted above, this definition, while imprecise, strongly implies that derivative works over which the author of the original enjoys exclusive rights ordinarilary are those that re-present the protected aspects of the original work, i.e., its expressive content, converted into an altered form, such as the conversion of a novel into a film, the translation of a writing into a different language, the reproduction of a painting in the form of a poster or post card, recreation of a cartoon character in the form of a three-dimensional plush toy, adaptation of a musical composition for different instruments, or other similar conversions. If Plaintiffs’ claim were based on Google's converting their books into a digitized form and making that digitized version accessible to the public, their claim would be strong. But as noted above, Google safeguards from public view the digitized copies it makes and allows access only to the extent of permitting the public to search for the very limited information accessible through the search function and snippet view. The program does not allow access in any substantial way to a book's expressive content. Nothing in the statutory definition of a derivative work, or of the logic that underlies it, suggests that the author of an original work enjoys an exclusive derivative right to supply information about that work of the sort communicated by Google's search functions.

* * * *

While the telephone ringtones at issue in [United States v. American Society of Composers, Authors and Publishers (ASCAP), 599 F.Supp.2d 415 (S.D.N.Y.2009), which] Plaintiffs cite[,] are superficially comparable to Google’s snippets in that both consist of brief segments of the copyrighted work, in a more significant way they are fundamentally different. While it is true that Google's snippets display a fragment of
expressive content, the fragments it displays result from the appearance of the term selected by the searcher in an otherwise arbitrarily selected snippet of text. Unlike the reading experience that the Google Partners program or the Amazon Search Inside the Book program provides, the snippet function does not provide searchers with any meaningful experience of the expressive content of the book. Its purpose is not to communicate copyrighted expression, but rather, by revealing to the searcher a tiny segment surrounding the searched term, to give some minimal contextual information to help the searcher learn whether the book’s use of that term will be of interest to her. The segments taken from copyrighted music as ringtones, in contrast, are selected precisely because they play the most famous, beloved passages of the particular piece—the expressive content that members of the public want to hear when their phone rings. The value of the ringtone to the purchaser is not that it provides information but that it provides a mini-performance of the most appealing segment of the author’s expressive content. There is no reason to think the courts in the cited cases would have come to the same conclusion if the service being provided by the secondary user had been simply to identify to a subscriber in what key a selected composition was written, the year it was written, or the name of the composer. These cases, and the existence of unpaid licensing schemes for substantial viewing of digitized works, do not support Plaintiffs’ derivative works argument.

[The court considers the Plaintiffs’ contention that “Google’s storage of its digitized copies of Plaintiffs’ books exposes them to the risk that hackers might gain access and make the books widely available, thus destroying the value of their copyrights,” and dismisses it on the basis that “it is not supported by the evidence.” It also dismisses the Plaintiffs’ contention “that Google’s distribution to a participating library of a digital copy of Plaintiffs’ books is not a fair use,” because, it finds, “[t]he libraries propose to use their digital copies to enable the very kinds of searches that we here hold to be fair uses,” and “[t]he contract between Google and each of the participating libraries commits the library to use its digital copy only in a manner consistent with the copyright law, and to take precautions to prevent dissemination of their digital copies to the public at large.”]

Notes
1. The Increasing Dominance of the Concept of “Transformative Use,” and the Views of its Creator. After the Supreme Court's decision in *Campbell*, lower courts started placing increasing weight in fair use analysis on whether a use was “transformative,” and it is easy to see why. “Transformative” is a rather abstract term with positive connotations – similar in that regard to “innovative” – and thus might be used rather flexibly by courts to sanction uses that they found salutary. Some courts also interpreted the *Campbell* Court as suggesting that when a use is transformative, the other fair use factors become less important, which would make fair use analysis a lot easier: instead of balancing four factors, a court could just ask one question: is a use “transformative” or not? The increasing emphasis placed on “transformative use” then resulted in suggestions that the concept was overused and unhelpful. See, e.g., *Kienitz v. Sconnie Nation LLC*, 766 F.3d 756, 758 (7th Cir. 2014) (questioning whether it is helpful to ask if alterations to a photograph are “transformative”); Thomas F. Cotter, *Transformative Use and Cognizable Harm*, 12 Vand. J. Ent. & Tech Law 701 (2010); Diane Leenheer Zimmerman, *The More Things Change the Less They Seem “Transformed”: Some Reflections on Fair Use*, 46 J. Copyright Soc’y U.S.A. 251 (1998).

Judge Leval, author of the *Google Books* opinion above, himself coined the term “transformative use” in a 1990 law review article, which then influenced the Supreme Court's analysis in the *Campbell* case. See *Toward a Fair Use Standard*, 103 Harv. L. Rev. 1105 (1990). Thus, Judge Leval’s opinion in *Google Books* could be read in part as a defense of the “transformative use” concept, coupled with an explanation of its proper scope and application in light of its development in the twenty-one years between the *Campbell* decision and the *Google Books* decision. Can you identify where Judge Leval is expressing such views, and what his views are?

2. Transformative Use, “New Expression,” and the Derivative Work Right. In *Campbell*, the Court suggested that whether the defendant’s work was “transformative” was a matter of whether it “adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message.” *Campbell*, 510 U.S. at 579. And of course the work at issue involved in *Campbell*, Two Live Crew’s version of “Pretty
Woman,” took some of the lyrics and music of Roy Orbison’s song, but added new lyrics and music to it. Taking a preexisting work and adding new expression to it could also count as the preparation of a derivative work, an activity that the owner of copyright in the preexisting work has the right to control under §106(2) of the Copyright Act. When does combining elements of a preexisting work with new expression – a type of “transformative use” – count as fair use, and when does it count as the preparation of a derivative work? What other fair use factors might come into play? Does the Google Books opinion have anything to say about this?

3. Transformative Use Without New Expression. The Google Books case can be placed in a line of cases that have found transformative use without the addition of any new expression. Previous cases concerned visual search engines, see Kelly v. Arriba Soft Corp., 336 F.3d 811, 819 (9th Cir.2003); Perfect 10, Inc. v. Amazon.com, Inc., 508 F.3d 1146, 1165 (9th Cir.2007); and plagiarism-checking software, see A.V. ex rel. Vanderhye v. iParadigms, LLC., 562 F.3d 630 (4th Cir. 2009). In that last case, the defendant iParadigms made electronic copies of academic papers written by students without their consent, for the purpose of building a database to provide a plagiarism-checking service. The service compares newly-submitted papers to those previously entered into the database, to check whether the former have copied from the latter without proper attribution. The Fourth Circuit held that the copying of the academic papers counted as fair use: “iParadigms’ use of plaintiffs’ works had an entirely different function and purpose than the original works; the fact that there was no substantive alteration to the works does not preclude the use from being transformative in nature.” Id. at 639.

4. Fair Use Without Transformative Use. As the Google Books opinion indicates, the Second Circuit held in Authors Guild, Inc. v. HathiTrust, 755 F.3d 87 (2d Cir.2014), that copying books for the purpose of providing full-text searching of them was a transformative use. By contrast, the HathiTrust court held that copying for the purpose of providing access to the print-disabled was not a transformative use, because it just enabled a wider audience to enjoy the books, and did not change the authors’ original purposes. However, the court noted that the House
Committee Report on the 1976 Act stated that “the making of a single copy or phonorecord by an individual as a free service for a blind persons [sic ] would properly be considered a fair use under section 107” id. at *12 (quoting H.R. Rep. No. 94–1476, at 73 (1976)), and that the Supreme Court had mentioned this passage with approval in *Sony Corporation of America v. Universal City Studios, Inc.,* 464 U.S. 417, 455 n. 40 (1984). Weighing all the factors, the court held that access to the print-disabled counted as a fair use.

5. Fair Use as Complementary Use? In *Ty, Inc. v. Publ'ns Int'l, Ltd.,* 292 F.3d 512, 517–518 (7th Cir.2002), Judge Richard Posner opined that the fundamental distinction to be made in fair use analysis was between

- copying that is complementary to the copyrighted work (in the sense that nails are complements of hammers), which is fair use,
- copying that is a substitute for the copyrighted work (in the sense that nails are substitutes for pegs or screws), or for derivative works from the copyrighted work, which is not fair use.

If the price of nails fell, the demand for hammers would rise but the demand for pegs would fall. The hammer manufacturer wants there to be an abundant supply of cheap nails, and likewise publishers want their books reviewed and wouldn’t want reviews inhibited and degraded by a rule requiring the reviewer to obtain a copyright license from the publisher if he wanted to quote from the book.

Id. at 517. Judge Posner suggests that distinguishing between “transformative” and “superseding” uses is just a confusing way of distinguishing between “complementary” and “substitutional” uses. Id. at 518.

In footnote 18 of his *Google Books* opinion, Judge Leval responded to Judge Posner’s suggestion:

> We do not find the term “complementary” particularly helpful in explaining fair use. . . . When a novel is converted into film, for example, the original novel and the film ideally complement one another in that each contributes to achieving results that neither can accomplish on its own. The invention of the original author combines with the cinematographic interpretive skills of the filmmaker to produce something that neither could have produced independently. Nonetheless, at least when the intention of the film is to make a “motion picture version” of the novel . .
the film is generally understood to be a derivative work, which under § 106, falls within the exclusive rights of the copyright owner.

Authors Guild v. Google, Inc., 804 F.3d at 216 n. 18 (2015). Is Judge Leval using the term “complementary” in the same way that Judge Posner is? Is it possible that if a movie version of a novel were available, sales of the novel might decrease, because some people might choose to see the movie rather than read the book? If that were the case, would we say that the movie was not “complementary” to the book in Judge Posner’s sense of the term, even though it was “complementary” in Judge Leval’s sense of the term? Can Judge Posner’s concept of economic complementarity explain all of fair use doctrine, or at best some of it?

6. “Appropriation Art” and Fair Use Without Commentary. Appropriation art involves taking existing images and “recontextualizing” them. By making slight changes in objects or displaying them in a new context an artist can allow us to view them in a new light. According to the Tate Gallery in London, appropriation art is “the more or less direct taking over into a work of art a real object or even an existing work of art.” In Cariou v. Prince, 714 F.3d 694 (2d Cir. 2013), the plaintiff was a photographer who published a book of photographs he made while living with Rastafarians in Jamaica for several years. Some time later, an appropriation artist named Richard Prince altered several dozen of the photographs for use in a series of paintings and collages he called Canal Zone. The Second Circuit found that Prince had sufficiently transformed all but five of the images to qualify for the fair use defense (the court remanded to the District Court for full consideration of the five remaining images). Along the way to that conclusion it rejected the District Court’s requirement that the new works must “comment” on or critically refer back to the originals in order for fair use to apply. As Judge Parker put it for the Second Circuit,

> The law imposes no requirement that a work comment on the original or its author in order to be considered transformative, and a secondary work may constitute a fair
use even if it serves some purpose other than those (criticism, comment, news reporting, teaching, scholarship, and research) identified in the preamble to the statute. . . . Prince’s work could be transformative even without commenting on Cariou's work or on culture, and even without Prince’s stated intention to do so. Rather than confining our inquiry to Prince’s explanations of his artworks, we instead examine how the artworks may “reasonably be perceived” in order to assess their transformative nature.

Id. at 707. The Second Circuit held that Prince’s works did not substantially interfere with the market for Cariou's photographs in part because they sold for so much more: While “[c]ertain of [Prince’s] Canal Zone artworks have sold for two million or more dollars,” Cariou earned “just over $8000 in royalties” for his book of photographs. Thus, “Prince’s audience is very different from Cariou’s, and there is no evidence that Prince’s work ever touched—much less usurped—either the primary or derivative market for Cariou’s work.” Id. at 709. Should it count as “transformation” that Prince managed to make far more money from Cariou’s photographs then Cariou ever did, by incorporating those photographs without commenting on them?

7. When Fair Use Encounters Mass Digitization. The Google Books opinion reaffirms that courts must perform fair use analysis on a case-by-case basis, and yet in the context of mass digitization projects, is that really possible? How does Judge Leval deal with the fact that the second fair use factor, “the character of the work,” would traditionally be weighed differently with respect to the various different books that Google scanned, since some of them were works of nonfiction, and others works of fiction?

8. Fair Use and the Development of Specific Exceptions to Copyright. Will heavy reliance on fair use stifle further development of more bright-line, administrable exceptions to the exclusive rights of copyright? Consider, for example, § 121 of the Copyright Act, which provides an exception for copies made and distributed by authorized entities in specialized formats exclusively for the use of blind or other persons with disabilities. This section might have been suitable for an era in which the leading technology for the print-disabled was braille. In the era
of synthetic text-to-speech software, perhaps it should be rewritten. If major efforts to provide access to the print-disabled are deemed fair uses, however, there may be little motivation for such a rewrite. Are there both advantages and disadvantages to routing everything through fair use, and if so, how would you articulate them?

9. Fair Use and First Sale: A Conundrum? How does § 107 interact with § 109, the latter being the Copyright Act’s statement of the first sale doctrine? Section 109 provides that “the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.” If the copies that Google and Hathitrust made were “lawfully made,” because they were made in pursuance of fair uses, can Google and Hathitrust now turn around and sell them, without gaining the permission of the owner of copyright? If not, how would you write the opinion that explained why not?

p. 355 – Insert after Note 2

2A. Verbatim Copying for Purpose of Criticism. If context is everything, does the fair use doctrine allow you to use a copyrighted photograph to illustrate a news story or blog post that is critical of the person depicted in the photograph? In Katz v. Google Inc., 802 F.3d 1178, 1180 (11th Cir. 2015), the Eleventh Circuit said yes. Raanam Katz is a major real estate developer in South Florida and part owner of the Miami Heat NBA team. He owns the copyright in a picture of himself, which we have reproduced below, and which he feels is highly unflattering. The photo was originally taken by an Israeli photojournalist when Katz was visiting that country, and was published in an Israeli newspaper. Katz acquired the copyright from the photographer. Irina Chevaldina was a former tenant in one of Katz’s shopping centers, who the court described as “disgruntled.” Over a 16-month period she published a total of 25 highly critical blog
posts about Katz, illustrating each of them with the photograph in question, which had found online via a Google search.

When Katz sued, Chevaldina raised the fair use defense. The district court summary judgment in her favor and the Court of Appeals affirmed. In discussing the first fair use factor the court said “Chevaldina’s use of the Photo was transformative because, in the context of the blog post’s surrounding commentary, she used Katz’s purportedly ‘ugly’ and ‘compromising’ appearance to ridicule and satirize his character.” Regarding the fourth factor, the court observed that “Chevaldina's use of the Photo would not materially impair Katz's incentive to publish the work. Katz took the highly unusual step of obtaining the copyright to the Photo and initiating this lawsuit specifically to prevent its publication. Katz profoundly distastes [sic] the Photo and seeks to extinguish, for all time, the dissemination of his “embarrassing” countenance. Due to Katz’s attempt to utilize copyright as an instrument of censorship against unwanted criticism, there is no potential market for his work.” Would it be transformative to use a flattering picture to illustrate critical commentary? Might that affect the market value of the flattering picture? What about using a flattering picture to illustrate flattering commentary?
Chapter 6  Enforcement and Protection Strategies

A. Direct Infringement

Page 376 – insert after note 2:

3. Some Ninth Circuit Wavering on the Volitional Conduct Requirement. Two District Court judges in the Ninth Circuit announced that they will not impose a volitional conduct requirement for direct infringement without clear instructions from the Circuit Court. See Warner Bros. Entertainment Inc. v. WTV Systems, Inc., 824 F. Supp. 2d 1003 (C.D. Cal. 2011), Arista Records LLC v. Myxer Inc. f/k/a Visible Technologies, Inc., Case No. CV 08–3935–GAF (JCx) (C.D. Cal. April 1, 2011). However, those instructions may have arrived. In Fox Broadcasting Co. v. Dish Network, LLC, 2013 WL 3814917 (9th Cir.), the Ninth Circuit held that Dish Network could not be held directly liable for recording broadcast television shows because it was Dish subscribers, rather than Dish itself, that decided to make the recordings. Citing Cartoon Network, the court held that “operating a system used to make copies at the user’s command does not mean that the system operator, rather than the user, caused copies to be made.” Id. at *4. Because “Dish’s program creates the copy only in response to the user’s command . . . the district court did not err in concluding that the user, not Dish, makes the copy.” Id.

B. Secondary Liability: An Introduction

p. 384 - insert the following before “Copyright in the Real World: A Trip to the Copy Shop”:

4. Authorization Liability Revisited. In Banco Popular de Puerto Rico v. Asociación de Compositores y Editores de Musica Latinoamericana (ACEMLA), 678 F.3d 102 (1st Cir. 2012), a
company named Guillermo Venegas Lloveras, Inc. ("GLVI") proved that it owned copyright in a song called "Genesis," which Banco Popular de Puerto Rico ("BPPR") had performed in a Christmas concert in 1993. At the time of the concert, BPPR had no license to perform the song. Later, ACEMLA, representing that it owned copyright in "Genesis," entered into a "retroactive licensing agreement" with BPPR. The District Court held that ACEMLA's retroactive license of BPPR's performance amounted to copyright infringement, entitling GLVI to recover the license fees collected by ACEMLA for the song. The First Circuit affirmed. It distinguished its own decision in Venegas-Hernandez, mentioned in note 3 above, by explaining that while in Venegas-Hernandez, there was no finding that the songs at issue had actually been performed, in this case the parties stipulated that "Genesis" had been performed, which "support[ed] the District Court's finding of liability for copyright infringement." \textit{Id.} at 113.

Can that be right? Could ACEMLA have become a direct infringer by purporting to authorize someone else's performance after it occurred? How about secondary liability – by purporting to license after-the-fact, can ACEMLA be said to have induced or materially contributed to the infringement, or to have had any control over BPPR? Although both the District Court and the First Circuit seem content with labelling ACEMLA an infringer, the judgment might be better defended as an application of the equitable remedy of restitution. See Restatements of the Law 3d, Restitution and Unjust Enrichment § 47 ("If a third person makes a payment to the defendant in respect of an asset belonging to the claimant, the claimant is entitled to restitution from the defendant as necessary to prevent unjust enrichment."). In that case, however, would it matter whether infringement had taken place, or only whether the defendant had received payments in exchange for purportedly licensing a work in which copyright was owned by the plaintiff? In other words, if BPPR actually had a license from GLVI, and then performed the song under that license but paid the royalties to ACEMLA instead of to GLVI, GLVI's claim against ACEMLA seems to be one for restitution.
5. Vicarious Liability and Corporate Officers. In *Universal Furniture Int'l, Inc. v. Frankel*, 538 Fed. Appx. 267 (4th Cir. 2013), the plaintiff, Universal, had recovered an $11 million judgment against a competitor called Collezione for using certain of its copyrighted furniture designs. Collezione, a closely held corporation, subsequently filed for bankruptcy and was unable to satisfy that judgment, so Universal brought a separate suit against Paul Frankel, who was Vice President and Treasurer of Collezione. Frankel had been actively involved “the ‘operations and financial side of the business,’ including transactions with the Collezione warehouse; ‘order fulfillment;’ ‘purchasing and flow of product;’ ‘general operation of the sales [department];’ and ‘supervision of . . . [the] distribution center.’” The Fourth Circuit affirmed a finding that Frankel was vicariously liable for the acts of the corporation using the traditional two-prong test of (1) right and ability to supervise the direct infringer plus (2) a financial interest in the infringement. It also held that he was collaterally estopped from re-litigating the merits of the infringement claim.

The result is consistent with the weight of the case law. As summarized by the Nimmer treatise: “an officer of an infringing corporation will be personally liable if he either participates personally (and other than merely in his corporate capacity) in the manufacture and sale of an infringing article, or if he uses the corporation as an instrument to carry out his willful and deliberate infringements, or if he is the dominant influence in the corporation and determines the policies that result in infringement, or if he derives financial benefit from the infringing activities either as a major shareholder or through other means, or on the basis of some combination of the above criteria.” Melville B. Nimmer and David Nimmer, *Nimmer on Copyright*, § 12.04[A][1]. Can this result be squared with the principle of limited liability which is one of the primary reasons for organizing a business as a corporation? If Collezione had failed to pay its rent or one of its suppliers would Frankel be personally liable? If not, why is copyright infringement different?

E. Shielding and Recruiting New Gatekeepers: the
Treatment of Online Service Providers in Section 512

pp. 410-425 - replace the District Court opinion in *Viacom International Inc. v. YouTube, Inc.* and the accompanying notes with:

*Viacom International, Inc. v. YouTube, Inc*

United States Court of Appeals, Second Circuit, 2012
676 F.3d 19

* * *

JOSÉ A. CABRANES, Circuit Judge

This appeal requires us to clarify the contours of the “safe harbor” provision of the Digital Millennium Copyright Act (DMCA) that limits the liability of online service providers for copyright infringement that occurs “by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider.” 17 U.S.C. § 512(c).

The plaintiffs-appellants in these related actions—Viacom International, Inc. (“Viacom”), The Football Association Premier League Ltd. (“Premier League”), and various film studios, television networks, music publishers, and sports leagues (jointly, the “plaintiffs”)—appeal from an August 10, 2010 judgment of the United States District Court for the Southern District of New York (Louis L. Stanton, Judge), which granted summary judgment to defendants-appellees YouTube, Inc., YouTube, LLC, and Google Inc. (jointly, “YouTube” or the “defendants”). The plaintiffs alleged direct and secondary copyright infringement based on the public performance, display, and reproduction of approximately 79,000 audiovisual “clips” that appeared on the YouTube website between 2005 and 2008. They demanded, *inter alia*, statutory damages pursuant to 17 U.S.C. § 504(c) or, in the alternative, actual damages from the alleged infringement, as well as declaratory and injunctive relief.
These related cases present a series of significant questions of statutory construction. We conclude that the District Court correctly held that the § 512(c) safe harbor requires knowledge or awareness of specific infringing activity, but we vacate the order granting summary judgment because a reasonable jury could find that YouTube had actual knowledge or awareness of specific infringing activity on its website.

* * *

BACKGROUND

A. The DMCA Safe Harbors

“The DMCA was enacted in 1998 to implement the World Intellectual Property Organization Copyright Treaty,” Universal City Studios, Inc. v. Corley, 273 F.3d 429, 440 (2d Cir.2001), and to update domestic copyright law for the digital age, see Ellison v. Robertson, 357 F.3d 1072, 1076 (9th Cir.2004). Title II of the DMCA, separately titled the “Online Copyright Infringement Liability Limitation Act” (OCILLA), was designed to “clarif[y] the liability faced by service providers who transmit potentially infringing material over their networks.” S.Rep. No. 105–190 at 2 (1998). But “[r]ather than embarking upon a wholesale clarification” of various copyright doctrines, Congress elected “to leave current law in its evolving state and, instead, to create a series of ‘safe harbors[ ]’ for certain common activities of service providers.” Id. at 19. To that end, OCILLA established a series of four “safe harbors” that allow qualifying service providers to limit their liability for claims of copyright infringement based on (a) “transitory digital network communications,” (b) “system caching,” (c) “information residing on systems or networks at [the] direction of users,” and (d) “information location tools.” 17 U.S.C. § 512(a)-(d).

To qualify for protection under any of the safe harbors, a party must meet a set of threshold criteria. First, the party must in fact be a
“service provider,” defined, in pertinent part, as “a provider of online services or network access, or the operator of facilities therefor.” 17 U.S.C. § 512(k)(1)(B). A party that qualifies as a service provider must also satisfy certain “conditions of eligibility,” including the adoption and reasonable implementation of a “repeat infringer” policy that “provides for the termination in appropriate circumstances of subscribers and account holders of the service provider’s system or network.” Id. § 512(i)(1)(A). In addition, a qualifying service provider must accommodate “standard technical measures” that are “used by copyright owners to identify or protect copyrighted works.” Id. § 512(i)(1)(B), (i)(2).

Beyond the threshold criteria, a service provider must satisfy the requirements of a particular safe harbor. In this case, the safe harbor at issue is § 512(c), which covers infringement claims that arise “by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider.” Id. § 512(c)(1). The § 512(c) safe harbor will apply only if the service provider:

(A) (i) does not have actual knowledge that the material or an activity using the material on the system or network is infringing;

(ii) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or

(iii) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material;

(B) does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity; and

(C) upon notification of claimed infringement as described in paragraph (3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.
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Id. § 512(c)(1)(A)-(C). Section 512(c) also sets forth a detailed notification scheme that requires service providers to “designate[ ] an agent to receive notifications of claimed infringement,” id. § 512(c)(2), and specifies the components of a proper notification, commonly known as a “takedown notice,” to that agent, see id. § 512(c)(3). Thus, actual knowledge of infringing material, awareness of facts or circumstances that make infringing activity apparent, or receipt of a takedown notice will each trigger an obligation to expeditiously remove the infringing material.

With the statutory context in mind, we now turn to the facts of this case.

B. Factual Background

YouTube was founded in February 2005 by Chad Hurley (“Hurley”), Steve Chen (“Chen”), and Jawed Karim (“Karim”), three former employees of the internet company Paypal. When YouTube announced the “official launch” of the website in December 2005, a press release described YouTube as a “consumer media company” that “allows people to watch, upload, and share personal video clips at www.YouTube.com.” Under the slogan “Broadcast yourself,” YouTube achieved rapid prominence and profitability, eclipsing competitors such as Google Video and Yahoo Video by wide margins. In November 2006, Google acquired YouTube in a stock-for-stock transaction valued at $1.65 billion. By March 2010, at the time of summary judgment briefing in this litigation, site traffic on YouTube had soared to more than 1 billion daily video views, with more than 24 hours of new video uploaded to the site every minute.

The basic function of the YouTube website permits users to “upload” and view video clips free of charge. Before uploading a video to YouTube, a user must register and create an account with the website. The registration process requires the user to accept YouTube’s Terms of Use agreement, which provides, inter alia, that the user “will not submit material that is copyrighted ... unless [he is] the
owner of such rights or ha[s] permission from their rightful owner to 
post the material and to grant YouTube all of the license rights 
granted herein.” When the registration process is complete, the user 
can sign in to his account, select a video to upload from the user’s 
personal computer, mobile phone, or other device, and instruct the 
YouTube system to upload the video by clicking on a virtual upload 
“button.”

Uploading a video to the YouTube website triggers a series of 
automated software functions. During the upload process, YouTube 
makes one or more exact copies of the video in its original file format. 
YouTube also makes one or more additional copies of the video in 
“Flash” format, a process known as “transcoding.” The transcoding 
process ensures that YouTube videos are available for viewing by most 
users at their request. The YouTube system allows users to gain access 
to video content by “streaming” the video to the user’s computer in 
response to a playback request. YouTube uses a computer algorithm to 
identify clips that are “related” to a video the user watches and display 
links to the “related” clips.

* * *

DISCUSSION

* * *

A. Actual and “Red Flag” Knowledge: § 512(c)(1)(A)

The first and most important question on appeal is whether the 
DMCA safe harbor at issue requires “actual knowledge” or 
“aware[ness]” of facts or circumstances indicating “specific and 
identifiable infringements,” Viacom, 718 F.Supp.2d at 523. We consider 
first the scope of the statutory provision and then its application to 
the record in this case.

1. The Specificity Requirement

“As in all statutory construction cases, we begin with the language 
941, 151 L.Ed.2d 908 (2002). Under § 512(c)(1)(A), safe harbor protection is available only if the service provider:

(i) does not have actual knowledge that the material or an activity using the material on the system or network is infringing;

(ii) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or

(iii) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material....

17 U.S.C. § 512(c)(1)(A). As previously noted, the District Court held that the statutory phrases “actual knowledge that the material ... is infringing” and “facts or circumstances from which infringing activity is apparent” refer to “knowledge of specific and identifiable infringements.” Viacom, 718 F.Supp.2d at 523. For the reasons that follow, we substantially affirm that holding.

Although the parties marshal a battery of other arguments on appeal, it is the text of the statute that compels our conclusion. In particular, we are persuaded that the basic operation of § 512(c) requires knowledge or awareness of specific infringing activity. Under § 512(c)(1)(A), knowledge or awareness alone does not disqualify the service provider; rather, the provider that gains knowledge or awareness of infringing activity retains safe-harbor protection if it “acts expeditiously to remove, or disable access to, the material.” 17 U.S.C. § 512(c)(1)(A)(iii). Thus, the nature of the removal obligation itself contemplates knowledge or awareness of specific infringing material, because expeditious removal is possible only if the service provider knows with particularity which items to remove. Indeed, to require expeditious removal in the absence of specific knowledge or awareness would be to mandate an amorphous obligation to “take commercially reasonable steps” in response to a generalized awareness of infringement. Viacom Br. 33. Such a view cannot be reconciled with the language of the statute, which requires “expeditious[ ]” action to remove or disable “the material” at issue. 17 U.S.C. § 512(c)(1)(A)(iii)
On appeal, the plaintiffs dispute this conclusion by drawing our attention to § 512(c)(1)(A)(ii), the so-called “red flag” knowledge provision. See id. § 512(c)(1)(A)(ii) (limiting liability where, “in the absence of such actual knowledge, [the service provider] is not aware of facts or circumstances from which infringing activity is apparent”). In their view, the use of the phrase “facts or circumstances” demonstrates that Congress did not intend to limit the red flag provision to a particular type of knowledge. The plaintiffs contend that requiring awareness of specific infringements in order to establish “aware[ness] of facts or circumstances from which infringing activity is apparent,” 17 U.S.C. § 512(c)(1)(A)(ii), renders the red flag provision superfluous, because that provision would be satisfied only when the “actual knowledge” provision is also satisfied. For that reason, the plaintiffs urge the Court to hold that the red flag provision “requires less specificity” than the actual knowledge provision. Pls. Supp. Br. 1.

This argument misconstrues the relationship between “actual” knowledge and “red flag” knowledge. It is true that “we are required to ‘disfavor interpretations of statutes that render language superfluous.’” Conn. ex rel. Blumenthal v. U.S. Dep't of the Interior, 228 F.3d 82, 88 (2d Cir.2000) (quoting Conn. Nat'l Bank v. Germain, 503 U.S. 249, 253, 112 S.Ct. 1146, 117 L.Ed.2d 391 (1992)). But contrary to the plaintiffs’ assertions, construing § 512(c)(1)(A) to require actual knowledge or awareness of specific instances of infringement does not render the red flag provision superfluous. The phrase “actual knowledge,” which appears in § 512(c)(1)(A)(i), is frequently used to denote subjective belief. See, e.g., United States v. Quinones, 635 F.3d 590, 602 (2d Cir.2011) (“[T]he belief held by the defendant need not be reasonable in order for it to defeat ... actual knowledge.”). By contrast, courts often invoke the language of “facts or circumstances,” which appears in § 512(c)(1)(A)(ii), in discussing an objective reasonableness standard. See, e.g., Maxwell v. City of New York, 380 F.3d 106, 108 (2d Cir.2004) (“Police officers' application of force is excessive ... if it is objectively unreasonable in light of the facts and circumstances confronting them, without regard to their underlying intent or motivation.”)
The difference between actual and red flag knowledge is thus not between specific and generalized knowledge, but instead between a subjective and an objective standard. In other words, the actual knowledge provision turns on whether the provider actually or “subjectively” knew of specific infringement, while the red flag provision turns on whether the provider was subjectively aware of facts that would have made the specific infringement “objectively” obvious to a reasonable person. The red flag provision, because it incorporates an objective standard, is not swallowed up by the actual knowledge provision under our construction of the § 512(c) safe harbor. Both provisions do independent work, and both apply only to specific instances of infringement.

The limited body of case law interpreting the knowledge provisions of the § 512(c) safe harbor comports with our view of the specificity requirement. Most recently, a panel of the Ninth Circuit addressed the scope of § 512(c) in UMG Recordings, Inc. v. Shelter Capital Partners LLC, 667 F.3d 1022 (9th Cir. 2011), a copyright infringement case against Veoh Networks, a video-hosting service similar to YouTube. As in this case, various music publishers brought suit against the service provider, claiming direct and secondary copyright infringement based on the presence of unauthorized content on the website, and the website operator sought refuge in the § 512(c) safe harbor. The Court of Appeals affirmed the district court’s determination on summary judgment that the website operator was entitled to safe harbor protection. With respect to the actual knowledge provision, the panel declined to “adopt[ ] a broad conception of the knowledge requirement,” id. at 1038, holding instead that the safe harbor “[r]equir [es] specific knowledge of particular infringing activity,” id. at 1037. The Court of Appeals “reach[ed] the same conclusion” with respect to the red flag provision, noting that “[w]e do not place the burden of determining whether [materials] are actually illegal on a service provider.” Id. at 1038 (alterations in original) (quoting Perfect 10, Inc. v. CCBill LLC, 488 F.3d 1102, 1114 (9th Cir. 2007)).
Based on the text of § 512(c)(1)(A), as well as the limited case law on point, we affirm the District Court’s holding that actual knowledge or awareness of facts or circumstances that indicate specific and identifiable instances of infringement will disqualify a service provider from the safe harbor.

2. The Grant of Summary Judgment

The corollary question on appeal is whether, under the foregoing construction of § 512(c)(1)(A), the District Court erred in granting summary judgment to YouTube on the record presented. For the reasons that follow, we hold that although the District Court correctly interpreted § 512(c)(1)(A), summary judgment for the defendants was premature.

i. Specific Knowledge or Awareness

The plaintiffs argue that, even under the District Court’s construction of the safe harbor, the record raises material issues of fact regarding YouTube’s actual knowledge or “red flag” awareness of specific instances of infringement. To that end, the plaintiffs draw our attention to various estimates regarding the percentage of infringing content on the YouTube website. For example, Viacom cites evidence that YouTube employees conducted website surveys and estimated that 75–80% of all YouTube streams contained copyrighted material. The class plaintiffs similarly claim that Credit Suisse, acting as financial advisor to Google, estimated that more than 60% of YouTube’s content was “premium” copyrighted content—and that only 10% of the premium content was authorized. These approximations suggest that the defendants were conscious that significant quantities of material on the YouTube website were infringing. See Viacom Int’l, 718 F.Supp.2d at 518 (“[A] jury could find that the defendants not only were generally aware of, but welcomed, copyright-infringing material being placed on their website.”). But such estimates are insufficient, standing alone, to create a triable issue
of fact as to whether YouTube actually knew, or was aware of facts or circumstances that would indicate, the existence of particular instances of infringement.

Beyond the survey results, the plaintiffs rely upon internal YouTube communications that do refer to particular clips or groups of clips. The class plaintiffs argue that YouTube was aware of specific infringing material because, _inter alia_, YouTube attempted to search for specific Premier League videos on the site in order to gauge their “value based on video usage.” In particular, the class plaintiffs cite a February 7, 2007 e-mail from Patrick Walker, director of video partnerships for Google and YouTube, requesting that his colleagues calculate the number of daily searches for the terms “soccer,” “football,” and “Premier League” in preparation for a bid on the global rights to Premier League content. On another occasion, Walker requested that any “clearly infringing, official broadcast footage” from a list of top Premier League clubs—including Liverpool Football Club, Chelsea Football Club, Manchester United Football Club, and Arsenal Football Club—be taken down in advance of a meeting with the heads of “several major sports teams and leagues.” YouTube ultimately decided not to make a bid for the Premier League rights—but the infringing content allegedly remained on the website.

The record in the _Viacom_ action includes additional examples. For instance, YouTube founder Jawed Karim prepared a report in March 2006 which stated that, “[a]s of today[,] episodes and clips of the following well-known shows can still be found [on YouTube]: Family Guy, South Park, MTV Cribs, Daily Show, Reno 911, [and] Dave Chapelle [sic].” Karim further opined that, “although YouTube is not legally required to monitor content ... and complies with DMCA takedown requests, we would benefit from preemptively removing content that is blatantly illegal and likely to attract criticism.” He also noted that “a more thorough analysis” of the issue would be required. At least some of the TV shows to which Karim referred are owned by Viacom. A reasonable juror could conclude from the March 2006 report that Karim knew of the presence of Viacom-owned material on YouTube, since he presumably located specific clips of the shows in
question before he could announce that YouTube hosted the content “[a]s of today.” A reasonable juror could also conclude that Karim believed the clips he located to be infringing (since he refers to them as “blatantly illegal”), and that YouTube did not remove the content from the website until conducting “a more thorough analysis,” thus exposing the company to liability in the interim.

Furthermore, in a July 4, 2005 e-mail exchange, YouTube founder Chad Hurley sent an e-mail to his co-founders with the subject line “budlight commercials,” and stated, “we need to reject these too.” Steve Chen responded, “can we please leave these in a bit longer? another week or two can’t hurt.” Karim also replied, indicating that he “added back in all 28 bud videos.” Similarly, in an August 9, 2005 e-mail exchange, Hurley urged his colleagues “to start being diligent about rejecting copyrighted / inappropriate content,” noting that “there is a cnn clip of the shuttle clip on the site today, if the boys from Turner would come to the site, they might be pissed?” Again, Chen resisted:

but we should just keep that stuff on the site. i really don’t see what will happen. what? someone from cnn sees it? he happens to be someone with power? he happens to want to take it down right away. he gets in touch with cnn legal. 2 weeks later, we get a cease & desist letter. we take the video down.

And again, Karim agreed, indicating that “the CNN space shuttle clip, I like. we can remove it once we’re bigger and better known, but for now that clip is fine.”

Upon a review of the record, we are persuaded that the plaintiffs may have raised a material issue of fact regarding YouTube’s knowledge or awareness of specific instances of infringement. The foregoing Premier League e-mails request the identification and removal of “clearly infringing, official broadcast footage.” The March 2006 report indicates Karim’s awareness of specific clips that he perceived to be “blatantly illegal.” Similarly, the Bud Light and space shuttle e-mails refer to particular clips in the context of
correspondence about whether to remove infringing material from the website. On these facts, a reasonable juror could conclude that YouTube had actual knowledge of specific infringing activity, or was at least aware of facts or circumstances from which specific infringing activity was apparent. See § 512(c)(1)(A)(i)-(ii). Accordingly, we hold that summary judgment to YouTube on all clips-in-suit, especially in the absence of any detailed examination of the extensive record on summary judgment, was premature.

We hasten to note, however, that although the foregoing e-mails were annexed as exhibits to the summary judgment papers, it is unclear whether the clips referenced therein are among the current clips-in-suit. By definition, only the current clips-in-suit are at issue in this litigation. Accordingly, we vacate the order granting summary judgment and instruct the District Court to determine on remand whether any specific infringements of which YouTube had knowledge or awareness correspond to the clips-in-suit in these actions.

ii. “Willful Blindness”

The plaintiffs further argue that the District Court erred in granting summary judgment to the defendants despite evidence that YouTube was “willfully blind” to specific infringing activity. On this issue of first impression, we consider the application of the common law willful blindness doctrine in the DMCA context.

The principle that willful blindness is tantamount to knowledge is hardly novel.” Tiffany (NJ) Inc. v. eBay, Inc., 600 F.3d 93, 110 n. 16 (2d Cir.2010) (collecting cases); see In re Aimster Copyright Litig., 334 F.3d 643, 650 (7th Cir.2003) (“Willful blindness is knowledge, in copyright law ... as it is in the law generally.”). A person is “willfully blind” or engages in “conscious avoidance” amounting to knowledge where the person “was aware of a high probability of the fact in dispute and consciously avoided confirming that fact.’ ” United States v. Aina-Marshall, 336 F.3d 167, 170 (2d Cir.2003) (quoting United States v. Rodriguez, 983 F.2d 455, 458 (2d Cir.1993)); cf. Global–Tech Appliances, Inc. v. SEB S.A., --- U.S. ----, 131 S.Ct. 2060, 2070–71, 179 L.Ed.2d 1167 (2011) (applying the willful blindness doctrine in a patent
infringement case). Writing in the trademark infringement context, we have held that “[a] service provider is not ... permitted willful blindness. When it has reason to suspect that users of its service are infringing a protected mark, it may not shield itself from learning of the particular infringing transactions by looking the other way.” Tiffany, 600 F.3d at 109.

The DMCA does not mention willful blindness. As a general matter, we interpret a statute to abrogate a common law principle only if the statute “speak[s] directly to the question addressed by the common law.” Matar v. Dichter, 563 F.3d 9, 14 (2d Cir. 2009) (internal quotation marks omitted). The relevant question, therefore, is whether the DMCA “speak[s] directly” to the principle of willful blindness. Id. (internal quotation marks omitted). The DMCA provision most relevant to the abrogation inquiry is § 512(m), which provides that safe harbor protection shall not be conditioned on “a service provider monitoring its service or affirmatively seeking facts indicating infringing activity, except to the extent consistent with a standard technical measure complying with the provisions of subsection (i).” 17 U.S.C. § 512(m)(1). Section 512(m) is explicit: DMCA safe harbor protection cannot be conditioned on affirmative monitoring by a service provider. For that reason, § 512(m) is incompatible with a broad common law duty to monitor or otherwise seek out infringing activity based on general awareness that infringement may be occurring. That fact does not, however, dispose of the abrogation inquiry; as previously noted, willful blindness cannot be defined as an affirmative duty to monitor. See Aina-Marshall, 336 F.3d at 170 (holding that a person is “willfully blind” where he “was aware of a high probability of the fact in dispute and consciously avoided confirming that fact”). Because the statute does not “speak[ ] directly” to the willful blindness doctrine, § 512(m) limits—but does not abrogate—the doctrine. Accordingly, we hold that the willful blindness doctrine may be applied, in appropriate circumstances, to demonstrate knowledge or awareness of specific instances of infringement under the DMCA.

The District Court cited § 512(m) for the proposition that safe
harbor protection does not require affirmative monitoring, Viacom, 718 F.Supp.2d at 524, but did not expressly address the principle of willful blindness or its relationship to the DMCA safe harbors. As a result, whether the defendants made a “deliberate effort to avoid guilty knowledge,” In re Aimster, 334 F.3d at 650, remains a fact question for the District Court to consider in the first instance on remand.

B. Control and Benefit: § 512(c)(1)(B)

Apart from the foregoing knowledge provisions, the § 512(c) safe harbor provides that an eligible service provider must “not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity.” 17 U.S.C. § 512(c)(1)(B). The District Court addressed this issue in a single paragraph, quoting from § 512(c)(1)(B), the so-called “control and benefit” provision, and concluding that “[t]he ‘right and ability to control’ the activity requires knowledge of it, which must be item-specific.” Viacom, 718 F.Supp.2d at 527. For the reasons that follow, we hold that the District Court erred by importing a specific knowledge requirement into the control and benefit provision, and we therefore remand for further fact-finding on the issue of control.

1. “Right and Ability to Control” Infringing Activity

On appeal, the parties advocate two competing constructions of the “right and ability to control” infringing activity. 17 U.S.C. § 512(c)(1)(B). Because each is fatally flawed, we reject both proposed constructions in favor of a fact-based inquiry to be conducted in the first instance by the District Court.

The first construction, pressed by the defendants, is the one adopted by the District Court, which held that “the provider must know of the particular case before he can control it.” Viacom, 718 F.Supp.2d at 527. The Ninth Circuit recently agreed, holding that “until [the service provider] becomes aware of specific unauthorized material, it cannot exercise its ‘power or authority’ over the specific
infringing item. In practical terms, it does not have the kind of ability
to control infringing activity the statute contemplates.”  
*UMG Recordings, Inc. v. Shelter Capital Partners LLC*, 667 F.3d 1022, 1041 (9th Cir.2011). The trouble with this construction is that importing a specific knowledge requirement into § 512(c)(1)(B) renders the control provision duplicative of § 512(c)(1)(A). Any service provider that has item-specific knowledge of infringing activity and thereby obtains financial benefit would already be excluded from the safe harbor under § 512(c)(1)(A) for having specific knowledge of infringing material and failing to effect expeditious removal. No additional service provider would be excluded by § 512(c)(1)(B) that was not already excluded by § 512(c)(1)(A). Because statutory interpretations that render language superfluous are disfavored, *Conn. ex rel. Blumenthal*, 228 F.3d at 88, we reject the District Court’s interpretation of the control provision.

The second construction, urged by the plaintiffs, is that the control provision codifies the common law doctrine of vicarious copyright liability. The common law imposes liability for vicarious copyright infringement “[w]hen the right and ability to supervise coalesce with an obvious and direct financial interest in the exploitation of copyrighted materials—even in the absence of actual knowledge that the copyright is being impaired.” *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 307 (2d Cir.1963); cf. *Metro–Goldwyn–Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 930 n. 9, 125 S.Ct. 2764, 162 L.Ed.2d 781 (2005). To support their codification argument, the plaintiffs rely on a House Report relating to a preliminary version of the DMCA: “The ‘right and ability to control’ language ... codifies the second element of vicarious liability.... Subparagraph (B) is intended to preserve existing case law that examines all relevant aspects of the relationship between the primary and secondary infringer.” *H.R.Rep. No. 105–551(I), at 26 (1998)*. In response, YouTube notes that the codification reference was omitted from the committee reports describing the final legislation, and that Congress ultimately abandoned any attempt to “embark[ ] upon a wholesale clarification” of vicarious liability, electing instead “to create a series of ‘safe harbors’ for certain common activities of service providers.” *S.Rep. No. 105–190,*
Happily, the future of digital copyright law does not turn on the confused legislative history of the control provision. The general rule with respect to common law codification is that when “Congress uses terms that have accumulated settled meaning under the common law, a court must infer, unless the statute otherwise dictates, that Congress means to incorporate the established meaning of those terms.” *Neder v. United States*, 527 U.S. 1, 21, 119 S.Ct. 1827, 144 L.Ed.2d 35 (1999) (ellipsis and internal quotation marks omitted). Under the common law vicarious liability standard, “‘[t]he ability to block infringers’ access to a particular environment for any reason whatsoever is evidence of the right and ability to supervise.’” *Arista Records LLC v. Usenet.com, Inc.*, 633 F.Supp.2d 124, 157 (S.D.N.Y.2009) (alteration in original) (quoting *A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1023 (9th Cir.2001)). To adopt that principle in the DMCA context, however, would render the statute internally inconsistent. Section 512(c) actually presumes that service providers have the ability to “block ... access” to infringing material. *Id.* at 157; see *Shelter Capital*, 667 F.3d at 1042–43. Indeed, a service provider who has knowledge or awareness of infringing material or who receives a takedown notice from a copyright holder is *required* to “remove, or disable access to, the material” in order to claim the benefit of the safe harbor. 17 U.S.C. § 512(c)(1)(A)(iii) & (C). But in taking such action, the service provider would—in the plaintiffs’ analysis—be admitting the “right and ability to control” the infringing material. Thus, the prerequisite to safe harbor protection under § 512(c)(1)(A)(iii) & (C) would at the same time be a disqualifier under § 512(c)(1)(B).

Moreover, if Congress had intended § 512(c)(1)(B) to be coextensive with vicarious liability, “the statute could have accomplished that result in a more direct manner.” *Shelter Capital*, 667 F.3d at 1045.

It is conceivable that Congress ... intended that [service providers] which receive a financial benefit directly attributable to the infringing activity would not, under any circumstances, be able to
qualify for the subsection (c) safe harbor. But if that was indeed their intention, it would have been far simpler and much more straightforward to simply say as much.

*Id.* (alteration in original) (quoting *Ellison v. Robertson*, 189 F.Supp.2d 1051, 1061 (C.D.Cal.2002), aff’d in part and rev’d in part on different grounds, 357 F.3d 1072 (9th Cir.2004)).

In any event, the foregoing tension—elsewhere described as a “predicament” and a “catch22” —is sufficient to establish that the control provision “dictates” a departure from the common law vicarious liability standard, *Neder*, 527 U.S. at 21, 119 S.Ct. 1827. Accordingly, we conclude that the “right and ability to control” infringing activity under § 512(c)(1)(B) “requires something more than the ability to remove or block access to materials posted on a service provider’s website.” *MP3tunes, LLC*, 821 F.Supp.2d at 645, 2011 WL 5104616, at *14; accord *Wolk v. Kodak Imaging Network, Inc.*, --- F.Supp.2d ----, ----, 2012 WL 11270, at *21 (S.D.N.Y. Jan. 3, 2012); *UMG II*, 665 F.Supp.2d at 1114–15; *Io Grp., Inc. v. Veoh Networks, Inc.*, 586 F.Supp.2d 1132, 1151 (N.D.Cal.2008); *Corbis Corp. v. Amazon.com, Inc.*, 351 F.Supp.2d 1090, 1110 (W.D.Wash.2004), overruled on other grounds by *Cosmetic Ideas, Inc. v. IAC/Interactivecorp.*, 606 F.3d 612 (9th Cir.2010). The remaining—and more difficult—question is how to define the “something more” that is required.

To date, only one court has found that a service provider had the right and ability to control infringing activity under § 512(c)(1)(B). In *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F.Supp.2d 1146 (C.D.Cal.2002), the court found control where the service provider instituted a monitoring program by which user websites received “detailed instructions regarding issues of layout, appearance, and content.” *Id.* at 1173. The service provider also forbade certain types of content and refused access to users who failed to comply with its instructions. *Id.* Similarly, inducement of copyright infringement under *Metro–Goldwyn–Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 125 S.Ct. 2764, 162 L.Ed.2d 781 (2005), which “premises liability on purposeful,
culpable expression and conduct,” *id.* at 937, 125 S.Ct. 2764, might also rise to the level of control under § 512(c)(1)(B). Both of these examples involve a service provider exerting substantial influence on the activities of users, without necessarily—or even frequently—acquiring knowledge of specific infringing activity.

In light of our holding that § 512(c)(1)(B) does not include a specific knowledge requirement, we think it prudent to remand to the District Court to consider in the first instance whether the plaintiffs have adduced sufficient evidence to allow a reasonable jury to conclude that YouTube had the right and ability to control the infringing activity and received a financial benefit directly attributable to that activity.

C. “By Reason of” Storage: § 512(c)(1)

The § 512(c) safe harbor is only available when the infringement occurs “by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider.” 17 U.S.C. § 512(c)(1). In this case, the District Court held that YouTube’s software functions fell within the safe harbor for infringements that occur “by reason of” user storage. *Viacom*, 718 F.Supp.2d at 526 (noting that a contrary holding would “confine[] the word ‘storage’ too narrowly to meet the statute’s purpose”). For the reasons that follow, we affirm that holding with respect to three of the challenged software functions—the conversion (or “transcoding”) of videos into a standard display format, the playback of videos on “watch” pages, and the “related videos” function. We remand for further fact-finding with respect to a fourth software function, involving the third-party syndication of videos uploaded to YouTube.

As a preliminary matter, we note that “the structure and language of OCILLA indicate that service providers seeking safe harbor under § 512(c) are not limited to merely storing material.” *Io Grp.*, 586 F.Supp.2d at 1147. The structure of the statute distinguishes between so-called “conduit only” functions under § 512(a) and the functions addressed by § 512(c) and the other subsections. See 17 U.S.C. § 512(n)
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("Subsections (a), (b), (c), and (d) describe separate and distinct functions for purposes of applying this section."). Most notably, CILLLA contains two definitions of “service provider.” 17 U.S.C. § 512(k)(1)(A)-(B). The narrower definition, which applies only to service providers falling under § 512(a), is limited to entities that “offer[ ] the transmission, routing or providing of connections for digital online communications, between or among points specified by a user, of material of the user’s choosing, without modification to the content of the material as sent or received.” Id. § 512(k)(1)(A) (emphasis added). No such limitation appears in the broader definition, which applies to service providers—including YouTube—falling under § 512(c). Under the broader definition, “the term ‘service provider’ means a provider of online services or network access, or the operator of facilities therefor, and includes an entity described in subparagraph (A).” Id. § 512(k)(1)(B). In the absence of a parallel limitation on the ability of a service provider to modify user-submitted material, we conclude that § 512(c) “is clearly meant to cover more than mere electronic storage lockers.” UMG Recordings, Inc. v. Veoh Networks, Inc., 620 F.Supp.2d 1081, 1088 (C.D.Cal.2008) (“ UMG I ”).

The relevant case law makes clear that the § 512(c) safe harbor extends to software functions performed “for the purpose of facilitating access to user-stored material.” Id.; see Shelter Capital, 667 F.3d at 1031–35. Two of the software functions challenged here—transcoding and playback—were expressly considered by our sister Circuit in Shelter Capital, which held that liability arising from these functions occurred “by reason of the storage at the direction of a user.” 17 U.S.C. § 512(c); see Shelter Capital, 667 F.3d at 1027–28, 1031; see also UMG I, 620 F.Supp.2d at 1089–91; Io Group, 586 F.Supp.2d at 1146–48. Transcoding involves “[m]aking copies of a video in a different encoding scheme” in order to render the video “viewable over the Internet to most users.” Supp. Joint App’x I:236. The playback process involves “deliver[ing] copies of YouTube videos to a user’s browser cache” in response to a user request. Id. at 239. The District Court correctly found that to exclude these automated functions from the safe harbor would eviscerate the protection afforded to service
A similar analysis applies to the “related videos” function, by which a YouTube computer algorithm identifies and displays “thumbnails” of clips that are “related” to the video selected by the user. The plaintiffs claim that this practice constitutes content promotion, not “access” to stored content, and therefore falls beyond the scope of the safe harbor. Citing similar language in the Racketeer Influenced and Corrupt Organizations Act (“RICO”), 18 U.S.C. §§ 1961–68, and the Clayton Act, 15 U.S.C. §§ 12 et seq., the plaintiffs argue that the statutory phrase “by reason of” requires a finding of proximate causation between the act of storage and the infringing activity. See, e.g., Holmes v. Sec. Investor Prot. Corp., 503 U.S. 258, 267–68, 112 S.Ct. 1311, 117 L.Ed.2d 532 (1992) (holding that the “by reason of” language in the RICO statute requires proximate causation). But even if the plaintiffs are correct that § 512(c) incorporates a principle of proximate causation—a question we need not resolve here—the indexing and display of related videos retain a sufficient causal link to the prior storage of those videos. The record makes clear that the related videos algorithm “is fully automated and operates solely in response to user input without the active involvement of YouTube employees.” Supp. Joint App’x I:237. Furthermore, the related videos function serves to help YouTube users locate and gain access to material stored at the direction of other users. Because the algorithm “is closely related to, and follows from, the storage itself,” and is “narrowly directed toward providing access to material stored at the direction of users,” UMG I, 620 F.Supp.2d at 1092, we conclude that the related videos function is also protected by the § 512(c) safe harbor.

The final software function at issue here—third-party syndication—is the closest case. In or around March 2007, YouTube transcoded a select number of videos into a format compatible with mobile devices and “syndicated” or licensed the videos to Verizon Wireless and other companies. The plaintiffs argue—with some force—that business transactions do not occur at the “direction of a user” within the meaning of § 512(c)(1) when they involve the manual selection of copyrighted material for licensing to a third party. The
parties do not dispute, however, that none of the clips-in-suit were among the approximately 2,000 videos provided to Verizon Wireless. In order to avoid rendering an advisory opinion on the outer boundaries of the storage provision, we remand for fact-finding on the question of whether any of the clips-in-suit were in fact syndicated to any other third party.

* * *

CONCLUSION

To summarize, we hold that:

(1) The District Court correctly held that 17 U.S.C. § 512(c)(1)(A) requires knowledge or awareness of facts or circumstances that indicate specific and identifiable instances of infringement;

(2) However, the June 23, 2010 order granting summary judgment to YouTube is VACATED because a reasonable jury could conclude that YouTube had knowledge or awareness under § 512(c)(1)(A) at least with respect to a handful of specific clips; the cause is REMANDED for the District Court to determine whether YouTube had knowledge or awareness of any specific instances of infringement corresponding to the clips-in-suit;

(3) The willful blindness doctrine may be applied, in appropriate circumstances, to demonstrate knowledge or awareness of specific instances of infringement under § 512(c)(1)(A); the cause is REMANDED for the District Court to consider the application of the willful blindness doctrine in the first instance;

(4) The District Court erred by requiring “item-specific” knowledge of infringement in its interpretation of the “right and ability to control” infringing activity under 17 U.S.C. § 512(c)(1)(B), and the judgment is REVERSED insofar as it rests on that erroneous construction of the statute; the cause is REMANDED for further fact-finding by the District Court on the issues of control and financial benefit;
(5) The District Court correctly held that three of the challenged YouTube software functions—replication, playback, and the related videos feature—occur "by reason of the storage at the direction of a user" within the meaning of 17 U.S.C. § 512(c)(1), and the judgment is AFFIRMED insofar as it so held; the cause is REMANDED for further fact-finding regarding a fourth software function, involving the syndication of YouTube videos to third parties.

* * *

Notes

1. Which Service Providers Does § 512 Affect? Congress added section 512 to the Copyright Act in 1998 as part of the Digital Millennium Copyright Act. Section 512 creates “safe harbors” from copyright infringement liability for those who provide four different types of digital network services, provided they meet the requirements established in that section. Here are descriptions of the four types of services, each prefaced with a convenient, if oversimplifying, one-word nickname:

- “Transmitting” — Transitory Digital Network Communications (§ 512(a)). Transmission of data by an ISP acting as a mere data conduit, typically by telecommunications companies or by firms that merely forwards email or other digital messages or files along their way.

- “Caching” — System Caching (§ 512(b)). Automated copying and storage of data to ensure that access to that data is not impeded by transmission bottlenecks. Thus, for example, a web page originally hosted on a server in New York but frequently requested by computer users in California might be copied and stored, or “cached,” in California to avoid the necessity of transmission across the US every time the page is requested.

- “Hosting” — Information Residing on Systems or Networks at Direction of Users (§ 512(c)). This category prototypically is directed towards companies that provide web hosting services, storing content comprising websites that are
maintained by independent sponsors of those websites. Note, however, that it is broad enough to include operators of websites such as YouTube, MySpace, and Facebook, which do not simply store data and respond to requests for that stored data, but provide a very detailed, structured context for the content that is uploaded by users.

- “Linking” — Information Location Tools (§ 512(d)). These are typically services such as search engines run by Google, Yahoo!, and Microsoft (Bing), but the broad definition seems to include any web page linking to another web page that has infringing material.

While these categories include many of the tools that assist digital distribution of copyrighted material (whether infringing or not), they certainly do not include all of them. Can you make a list of other types of assistance that digital distributors would find necessary or useful? Where do hardware manufacturers and software creators fit in this scheme? Is it reasonable to view Sony v. Universal City Studios as creating a fifth safe harbor, standing alongside the four in § 512, applicable to them?

2. Section 512 as Recruiting New Gatekeepers. Section 512 promises immunity from infringement liability for those who meet its requirements, and thus can be seen as shielding online service providers, thereby enabling a whole industry to develop without fear of potentially crushing liability. Yet it does also impose requirements on those service providers, and to the extent that those requirements include measures that combat copyright infringement, the section can also be seen as recruiting the assistance of the service providers in enforcing copyright. There are two important requirements that apply to all four of the safe harbors, namely:

- Termination of Repeat Infringers. Under § 512(i)(1)(A), service providers must implement and notify users of a policy of terminating services to those who repeatedly use the services to infringe.
Accommodation of Standard Technical Measures, Under § 512(i)(1)(B), service providers have to ensure that their services allow copyright holders to use technical protection measures such as encryption and watermarking to aid in hindering and detecting copyright infringement.

3. How to Violate the Requirement to Terminate Repeat Infringers. In *BMG Rights Management (US) LLC v. Cox Communications, Inc.*, 2015 WL 7756130 (E.D. Va.), the U.S. District Court for the Eastern District of Virginia held that Cox Communications was not entitled to a § 512 safe-harbor defense because it had not reasonably implemented a policy of terminating service to repeat infringers. Cox’s policy for dealing with repeat infringers was weak in a remarkable number of ways. Cox only considered terminating a subscriber if it had received 14 takedown notices concerning that subscriber within a six-month period. *Id.* at *2*-*3. Cox would only count the first notice concerning a subscriber received on any particular day; it would not count any other notice concerning that subscriber received on the same day. *Id.* at *2*. As a general matter, Cox would accept no more than 200 takedown notices per day from a copyright holder, regardless of how much infringing material it might have been hosting. *Id.* Even those features, however, were not what convinced the court that Cox had not reasonably implemented a repeat-infringer termination policy. It turns out that before 2012, in the relatively few cases in which a subscriber received fourteen notices in six months, Cox did not actually terminate services to the subscriber. Rather, it nominally terminated services but reactivated accounts upon request, as documented in emails reminding Cox employees about how much revenue Cox would lose if the subscribers were actually terminated. *Id.* at *14*-*16. In 2012, Cox decided that if it was going to terminate a subscriber, it would do so for at least six months; but that caused it to virtually cease terminations, dropping from 15.5 terminations per month during the period from January 2010 through August 2012, to 0.8 terminations per month during the period from September 2012 through November 2014. *Id.* at *17*. The Eastern District found that that conduct amounted
to a refusal to implement a termination policy, and denied Cox safe-harbor protection under § 512.

4. The Notice and Takedown Procedure for Hosting and Linking. Other requirements apply more specifically to particular safe harbor categories. The best-publicized of these are probably the “notice and takedown” requirements, which apply to § 512(c) “hosters” and in modified form to § 512(d) “linkers.” If you are hosting material provided by a subscriber to your service, §512(c)(2) requires you to have a registered agent who accepts notices of claimed infringement. Upon receipt of a notice of claimed infringement that meets the requirements of §512(c)(3) (which enumerates six criteria including proper identification of the allegedly infringed work and infringing material, and contact information for the complainant) you must “respond expeditiously to remove, or disable access to, the [allegedly infringing] material.” 17 U.S.C. § 512(c) (1)(C) – in other words, you have to “take down” the material. You will not be liable for taking down material in response to a proper notice, so long as you take reasonable steps to notify the subscriber who posted the material that you took it down. That subscriber can then submit a “counter notification” under §512(g)(3), identifying itself and consenting to federal court jurisdiction; if it does so, you must restore access to the material in question, pending settlement or judicial resolution of the dispute. 17 U.S.C. §512(g)(2). This process is also applicable in the same basic form to links to infringing material. 17 U.S.C. § 512(d)(3).

5. Sanctions for Inappropriate Take-Down Notices. Copyright owners are likely to be better informed than many Internet users. The former likely have the advice of counsel, may be “repeat players” and may know the ins and out of the takedown procedures, while the latter may be relatively ignorant. This might permit the use of take-down notices to suppress legitimate uses of copyrighted material as well as criticism or other forms of free expression. This problem is principally addressed by the interaction of § 512(c)(3)(A)(v) and § 512(f). The former requires a takedown notification to include a “statement that the complaining party has a good faith belief that the use of the
material in the manner complained of is not authorized by the copyright owner, its agent, or the law.” The latter provides that “[a]ny person who knowingly materially misrepresents under this section— (1) that material or activity is infringing, or (2) that material or activity was removed or disabled by mistake or misidentification, shall be liable for any damages, including costs and attorneys' fees, incurred by the alleged infringer.”

In *Lenz v. Universal Music Corp.*, 801 F.3d 1126 (9th Cir. 2015), *opinion amended and superseded on denial of rehearing*, 815 F.3d 1145 (9th Cir. 2016), the Ninth Circuit held that § 512 requires a copyright owner to consider whether the potentially infringing material is making fair use of its copyrighted work before issuing a takedown notice. It reasoned that a copyright holder cannot make a true declaration under § 512(c)(3)(A)(v) unless it has formed a subjective good faith belief that the use of its work is not a fair use; and the copyright holder cannot form a subjective good faith belief unless it can demonstrate that it considered whether the use might be a fair use. If the statement made under § 512(c)(3)(A)(v) is false, the copyright holder may be liable for making a material misrepresentation under § 512(f).

This creates a problem for copyright holders who use automated systems to generate takedown notices. An automated system that detects use of a sound recording or a video by recognizing a portion of it does not consider whether that use might qualify as a fair use. Does that mean that all potentially infringing material needs to be reviewed by a human being before a takedown notice is issued? In the original opinion issued in *Lenz* in September 2015, the court noted “that the implementation of computer algorithms appears to be a valid and good faith middle ground for processing a plethora of content while still meeting the DMCA’s requirements to somehow consider fair use. . . . For
example, consideration of fair use may be sufficient if copyright holders utilize computer programs that automatically identify for takedown notifications content where: ‘(1) the video track matches the video track of a copyrighted work submitted by a content owner; (2) the audio track matches the audio track of that same copyrighted work; and (3) nearly the entirety ... is comprised of a single copyrighted work.’” Lenz, 801 F.3d at 1135 (citation omitted). However, in its amended opinion issued in March 2016, the court omits the language quoted above, and provides very little detail about what kind of review is necessary to form the required subjective good faith belief. Given the volume of unauthorized and therefore potentially infringing material that is posted online every day, what kind of human review is it realistic to require? How carefully does a copyright holder need to consider the particular use and the fair use factors before it can be said to have formed a sufficient subjective good faith belief?

6. The Attractiveness of the Safe Harbors and the Relative Roughness of the Seas Outside. A service provider’s failure to qualify for a § 512 safe harbor does not mean that it is necessarily subject to infringement liability; rather, the failure to qualify means that it will be judged under the ordinary, general standards for direct and indirect liability. Thus, the attractiveness and importance of the safe harbors depends on the courts’ application of those general standards. So, for example, as mentioned above, the line of cases culminating in Cartoon Network that has interpreted the Copyright Act to impose a “volitional act” requirement for direct infringement liability makes the safe harbors somewhat less important. See R. Anthony Reese, The Relationship Between the ISP Safe Harbors and the Ordinary Rules of Copyright Infringement Liability, 32 Colum. J. L. & Arts 427, 429-430 (2009).

the “red flag” provision of 17 U.S.C. § 512(c)(1)(A)(ii) if an online service provider is aware of facts and circumstances under which it would be obvious to a reasonable person that a certain video was infringing. Even if it can be proven that a defendant’s employee viewed a user-generated video containing all or virtually all of a recognizable, copyrighted song, there are still, according to the Vimeo court, many reasons why the “red flag” standard might not be met. One of the most widely applicable of those is lack of knowledge of whether a use might be authorized: “Even an employee who was a copyright expert cannot be expected to know when use of a copyrighted song has been licensed.” Vimeo, 2016 WL 3349368, at *13. When would it be obvious to a reasonable person that use of a work cannot have been authorized? Is the upload of an entire feature film, perhaps even before commercial release, the limiting case? Does that leave YouTube and other such services all the room they need to attract viewers with shorter videos, so long as they respond to takedown notices and don’t send internal e-mails that mention infringement?

8. The “Control and Benefit” Provision of §512(c)(1)(B): Is Common-Law Vicarious Liability Inconsistent With Notice-and-Takedown? The Second Circuit sensibly overturns the District Court’s holding that not only §512(c)(1)(A), but also §512(c)(1)(B), contains a specific knowledge requirement. Yet it then also holds that §512(c)(1)(B) does not embody the standards of common-law vicarious liability, in spite of statutory language that closely tracks judicial formulations of the elements of vicarious liability. The court quotes the Arista Records case for the proposition that under common-law standards, “‘[t]he ability to block infringers' access to a particular environment for any reason whatsoever is evidence of the right and ability to supervise.’” It then decides that the provisions in §512(c) requiring takedown of material upon notice of infringement assumes that kind of ability to block infringers’ access. Congress, it argues, cannot have meant to condition a safe harbor on an exercise of control which itself places an online service provider in danger of losing the safe harbor.
Recall that vicarious liability developed from, and remains related to, the respondent superior liability of an employer for the acts of an employee. In that light, might “right and ability to control” be interpreted as a higher standard that would not be met merely by being physically able to block access to content? Although the notice-and-takedown provisions do seem to assume the physical ability to take down content, they may not so much assume the right to take down infringing content as create that right. Presumably any contractual provision under which a web host agreed with a user not to take down content for any reason, infringement or otherwise, would as applied to infringing content be considered void as inconsistent with federal law under §512. Yet isn’t it possible that such a provision might well negate the kind of pervasive “right and ability to control” that is associated with employer-employee relationships? Indeed, a close reading of the quote from Arista Records may lead to the conclusion that it is insisting on such pervasiveness to satisfy the control prong of common-law vicarious liability. The ability – legally and physically – to block access “for any reason whatsoever” sounds like pretty pervasive control, doesn’t it?

9. The Section 512 Safe Harbor and pre-1972 Sound Recordings. As we mentioned in passing in Note 6 on page 409 of the main volume, the Copyright Act does not currently protect sound recordings fixed prior to February 15, 1972. Those works are protected instead by state “common law” copyright, a situation which will remain in effect until 2067. See 17 U.S.C. §301(c). Assume that a website allows users to upload audio files and allows other users to either download copies of those same files, or to simply “stream” those files so that they can hear the recordings on their own devices. If some of those recordings were fixed before 1972 and the copyright owner in those recordings brings an infringement suit against the website, can the website rely on § 512(c) of the statute as a defense?

In June 2016, the Second Circuit answered that question in the affirmative, holding that §512(c) did indeed apply to pre-1972 recordings that were not protected by federal copyright. See
Capitol Records, LLC v. Vimeo, 2016 WL 3349368 (2d Cir. June 16, 2016). In an opinion written by Judge Pierre Leval, the Second Circuit panel concluded that §512(c)’s creation of a safe harbor from “infringement of copyright” referred not only to federal copyright, but to state common-law copyright. It rejected the argument that §501(c) of the Copyright Act defined the term “infringement of copyright” to refer only to conduct that violated federal copyright law; that term, it decided, was not defined anywhere in the Copyright Act. The court also rejected the argument that §301(c) of the Copyright Act precludes interpreting §512(c) to create a safe harbor for pre-1972 sound recordings. That section provides that “[w]ith respect to sound recordings fixed before February 15, 1972, any rights or remedies under the common law or statutes of any State shall not be annulled or limited by this title until” February 15, 2067.” 17 U.S.C. §301(c). The court concluded that §512(c), which was enacted after §301(c), created an exception to it. The court noted that its holding ran contrary to the conclusion reached by the Copyright Office in a 2011 report, see U.S. Copyright Office, Federal Copyright Protection for Pre-1972 Sound Recordings, but it concluded that several steps in the reasoning in that report were in error. The court therefore reversed the lower court’s ruling in Capitol Records, LLC v. Vimeo, LLC, 972 F.Supp.2d 500, 536-37 (S.D.N.Y. 2013) that the §512(c) did not apply to pre-1972 sound recordings, and implicitly overruled the contrary decision of an intermediate appellate court of the State of New York in UMG Recordings v. Escape Media Group, Inc., 107 A.D.3d 51, 964 N.Y.S.2d 106 (1st Dept. 2013).

10. The Treatment of Payment Processors. It is often convenient for those who digitally distribute infringing copies of works to accept payment for those infringing copies by credit or debit card, submitted through an online payment processor. Payment processing is not eligible for a § 512 safe harbor. See Perfect 10, Inc. v. CCBill, LLC., 488 F.3d 1102, 1116-1117 (9th Cir. 2007); Perfect 10, Inc. v. Visa Int’l Service Assoc., 494 F. 3d 788, 795 n.4 (9th Cir. 2007). Yet in the Visa International Service case, the Ninth Circuit granted payment processors what could be seen as a super-safe
harbor. It concluded that payment processing for infringing distributors was not a “material contribution” to infringement that could give rise to contributory liability, even if the payment processor knew that the sale was of infringing material. The majority reasoned that a payment processor neither enables customers to locate infringing material, nor distributes it, its services are not essential to the infringement, and infringers could profit from their infringement in other ways. In dissent, Judge Kozinski challenged this logic: “Defendants participate in every credit card sale of pirated images; the images are delivered to the buyer only after defendants approve the transaction and process the payment. This is not just an economic incentive for infringement; it’s an essential step in the infringement process.”

Perfect 10, Inc. v. Visa Service Int’l Assoc., 494 F.3d at 811-812 (Kozinski, J., dissenting). Who has the better argument? For a District Court opinion on contributory liability in trademark law that draws more from the Perfect 10 dissent than the Perfect 10 majority, see Gucci America, Inc. v. Frontline Processions Corp., 721 F.Supp.2d 228 (S.D.N.Y. 2010).

II. Voluntary Cooperation between Copyright Owners and Payment Processors. Although the Visa International Services case summarized in the previous note gave “payment processors” like Visa, MasterCard and American Express de facto immunity from infringement liability, those companies have various practical and public relations reasons to avoid being associated with parties engaged in flagrant violations of intellectual property laws. In 2011 American Express, Discover, MasterCard, PayPal, and Visa developed a voluntary program of “best practices” under which the credit card companies agreed to terminate relationships with websites engaged in the sale of counterfeit or infringing goods. See Statement of Cary H. Sherman, Chairman and CEO Recording Industry Association of America before the House Judiciary Committee’s Subcommittee on Courts, Intellectual Property and the Internet, 2013 WL 5234398 (September 18, 2013). The program has been put into effect by cooperation between the credit card companies and a group called the International Anti-Counterfeiting
Coalition, or IACC. Under the scheme copyright owners provide evidence to the IACC that a site is engaged in impermissible or illegitimate activities. If, after investigation, the claims are confirmed, the credit card companies terminate their relationship with that site. According to Mr. Sherman’s testimony, “as of August 21, 2013, nearly 7,000 websites had been referred via IACC’s portal for investigation, resulting in termination of over 1,500 individual merchant accounts. Perhaps more importantly, as IACC notes, the collaboration resulting from the portal will likely result in ‘systematic long term improvement in addressing the trafficking of counterfeit goods online’.” The parties have given the program the name ROGUEBLOCK®, presumably playing off the idea that the denial of payment processing services to infringers will act as a roadblock to their activities.

12. Voluntary Cooperation between Copyright Owners and Online Advertising Brokers. Another category of “gatekeepers” who can potentially be enablers of copyright infringement in the on-line environment are advertisers. A web site may host infringing content and make it available to the public for free download, attempting to profit from the arrangement through ad revenues. If advertisers could be persuaded to refrain from doing business with illicit sites, those sites might find that it was not worth their while to continue in business. As with the payment processors discussed in the previous note, the copyright community has entered into a voluntary and cooperative arrangement with companies that provide “ad network” services – effectively the brokers for the placement of on-line advertising. These companies include such household names as Google, Yahoo and Microsoft. As with the payment processors, the content owners take the initiative by informing the ad network that the advertising appears on a site
that hosts infringing content. Upon receipt of a complaint, the ad network then will investigate to determine if the site in question sells counterfeit goods or engages in copyright infringement. The full text of the Best Practices Guidelines for Ad Networks is available here.

p. 428 – add the following paragraph to Note 11 “Six Strikes and You’re Out”

The “six strikes” system, or Copyright Alert System as it is more formally known, is about two years old as of this writing. Media reports on its effectiveness are mixed. According to one on-line source, as of February, 2014, Comcast had sent out about 625,000 warnings pursuant to the program, or about 1800 per day. See Report: Comcast Sends Out Around 1,800 Copyright Alert Notices Each Day on The Consumerist Blog. Another source reports that the initiative is “seeing success, according to the program’s director.” ‘Six Strikes’ Thwarting Piracy, Leader Says, The Hill, February 25, 2014. On the other hand, the website RT.com reported that “[t]here has . . . been no indication that traffic to BitTorrent sites has subsided. In fact, online traffic to The Pirate Bay, by far the most popular site used by pirates hoping to share or download material illegally, has more than doubled over two years,” and that “a research study conducted by the University of Delaware in conjunction with French academics found that such threats had no effect on online theft. A paper published in January 2014 used data found in a survey of 2,000 French internet users determined that a three-strikes law would not be enough to impede someone’s piracy intentions.” One Year After High Profile Debut, Questions Remain About Six-Strike Policy’s Effectiveness.
Of course it is perhaps inevitable the ISPs that are involved in the Copyright Alert System will seek to turn it into a profit-making opportunity. Thus, according to the story on the Consumerist blog cited in the previous paragraph, “Comcast is reportedly working on a system that would identify suspected file-sharers in real time and, when possible, give them the opportunity to acquire the pirated content through legitimate means.” See also Comcast Developing Anti-Piracy Alternative to ‘Six Strikes’ Variety, August 5, 2013.

Suppose that you have finished your initial contract period, and would like to switch carriers but keep your current phone. To do that, you would have to “unlock” your phone – that is, you would have to circumvent the technical measures that prevent your phone from being usable on another carrier’s network. If you did it, would that circumvention violate § 1201(a)(1)? In 2006 and again in 2010 the Librarian of Congress, acting upon recommendation of the Register of
Copyrights, created a regulatory exception to § 1201(a)(1) allowing circumvention of computer programs in the form of firmware that enable “wireless telephone handsets to connect to a wireless telephone communications network, when circumvention is accomplished for the sole purpose of lawfully connecting to a wireless telecommunications network.” However in the 2012 triennial review of the anti-circumvention regulations, that provision was deleted. (A different provision, permitting “jailbreaking” – circumvention of programs that prevent unauthorized apps from running on your cell phone – was retained).

The Librarian relied on several arguments in reaching his conclusion to revise the regulation. First, he noted that the law on whether cell phone owners also own the copies of the computer programs contained inside their phones — which would give them certain rights under § 117 of the statute — was unclear. Second, he noted that the sale of locked cell phone was an important part of a business model in which wireless providers offer deeply discounted phones with the expectation of recouping costs through phone service subscription fees. Finally, he observed that a large number of unlocked cell phones were not available to consumer. The full explanation of his reasoning can be found in the Federal Register notice of the new regulation, 77 Fed. Reg. 65260-01 (October 26, 2012).

Not surprisingly, the change led to something of an uproar among consumers. An on-line petition requesting the White House to back a change in the law gathered over 114,000 signatures, and in March, 2013 the White House agreed, with those petitioners, saying that in their view consumers should be able to unlock their cell phones without risking criminal or other penalties. In fact, we believe the same principle should also apply to tablets, which are increasingly similar to smart phones. And if you have paid for your mobile device, and aren’t bound by a service agreement or other obligation, you should be able to use it on another network. Its common sense, crucial for protecting consumer choice, and important for ensuring we continue to have the vibrant,
competitive wireless market that delivers innovative products
and solid service to meet consumers’ needs.

You can read the full White House statement by clicking here.
Congress quickly climbed on the bandwagon and legislation was
introduced in both houses to permit the unlocking of cellphone. The
House acted first, passing its version of the bill, H.R. 1123, in February,
2014 by a vote of 295 to 114. That bill contained one controversial
provision, which provided, “Nothing in this subsection shall be
construed to permit the unlocking of wireless handsets or other
wireless devices, for the purpose of bulk resale, or to authorize the
Librarian of Congress to authorize circumvention for such purpose
under this Act, title 17, United States Code, or any other provision of
law.” This would have codified the sparse case law that had
interpreted the pre-2012 regulatory language to forbid bulk unlocking.
See TracFone Wireless Inc. v. GSM Group, Inc. 555 F.Supp.2d 1331 (S.D. Fla.
2008); TracFone Wireless, Inc. v. Dixon, 475 F. Supp.2d 1236 (M.D. Fla.
2007).

A few months later, in July, the Senate adopted a virtually
identical bill, S.517, but without the language on bulk unlocking. On
July 25, 2014 the House approved the Senate version by a voice vote
and sent the bill to the President, who is virtually certain to sign it.
Thus, as you read these words, it is once again legal to unlock your
cellphone.

In the interim, the FCC persuaded several cell phone carriers
to enter into a voluntary agreement under which they will unlock
phones for you – either automatically or upon request from consumers –
but usually only after any service contract has expired. You can view
the specifics of the unlocking policy of ATT Wireless by clicking here,
and the specifics of Verizon’s policy by clicking here.

Chapter 7  The 1909 Act Framework and Its Partial Persistence: Of
Publication, Notice, Deposit and Registration
We address whether copyright registration of a collective work registered the component works within it.

Facts

. . . Alaska Stock, a stock photography agency, registered large numbers of photographs at a time, listing only some of the authors and not listing titles for each photograph. It licensed Houghton Mifflin Harcourt Publishing Company to use pictures it had registered, for fees based on the number of publications. Houghton Mifflin and its printer, R.R. Donnelley & Sons, greatly exceeded the number of publications Houghton Mifflin had paid for, so Alaska Stock sued for injunctive relief, actual and statutory damages, attorneys' fees, and costs.

Alaska Stock owned the copyrights to all the photographs at issue, pursuant to assignment by the individual photographers. It registered the copyrights by registering CD catalogs and databases of the stock photos, entitled “Alaska Stock CD catalog 4” and so forth, which contained images of each of the photographs. For “name of author” on its application, it listed only three of many, in the form “1) Jeff Schultz 2) Chris Arend 3) Johnny Johnson & 103 others.”

This form of registration was prescribed by the Register of Copyrights and was consistent with Copyright Office procedure for thirty years. The district court nevertheless dismissed the claims on the ground that the registrations [a statutory precondition to filing an infringement suit] were defective, because Alaska Stock had not
provided the names of each of the photographers and the titles of each of the photographs in its registrations. * * *

We reverse.

* * *

Professional photographers make their living in various ways, sometimes shooting pictures for weddings, sometimes for advertisements, sometimes “stock.” In “stock photography,” the photographer usually makes the images before he has a customer. He then contracts with a stock agency for the agency to handle copyright registration and licensing, often for a cash payment up front to the stock agency and a percentage of whatever the stock agency collects. Purchasers buy permission from the stock agency to use particular pictures, usually for a limited number of copies, with the prices varying from less than a dollar to perhaps a couple of hundred dollars. The photographer’s income depends on getting noticed and on volume, since the pictures are licensed so inexpensively. Stock agencies relieve the photographers of some of the burden of managing the commercial end of their business, so that they can focus more on making images, and they relieve publishers of the burden of locating photographers and purchasing rights to use the images they want.

A particularly important task the stock agencies may perform is at issue here: registering copyrights, to deter pirating. That is what Alaska Stock did for the many photographers whose images are affected by this case. Alaska Stock registered thirteen automated databases [37 C.F.R. § 202.3(b)(4) (2006) recodified at § 202.3(b)(5)] and one “CD–ROM collection” of photographs. Alaska Stock’s photographs are each independently copyrighted, so the databases and CD–ROM at issue are each a “collective work” under the Copyright Act. The several databases contained between 500 and 6,000 individual photographs each. Each database or CD–ROM contained the work of between 32 and 106 photographers.

The copyright laws and procedures are complex, so photo stock agencies worked out the registration procedure with the federal agency in charge. Some stock agencies (such as the plaintiff in this
case) are very small businesses reliant on a trade association to work out the procedures they should follow. In 1995, a trade association of stock agencies, Picture Agency Council of America, Inc., met with the Register of Copyright (the head of the Copyright Office), her Chief Examiner, and other Copyright Office staff, to work out how to register large catalogs of images. The Register agreed that a stock agency could register both a catalog of images and the individual photographs in the catalog in one application if the photographers temporarily transferred their copyrights to the stock agency for the purposes of registration.

The trade association confirmed this with the Copyright Office in writing, and advised its member stock agencies. Using language suggested by the Copyright Office, Alaska Stock’s typical pre–2001 agreement with a photographer includes this language: “I grant Alaska Stock the right to register for copyright my photographs which appear in this catalog in the name of Alaska Stock solely for the purpose of catalog registration. Alaska Stock shall reassign such copyright to me upon request.” The post–2001 language was materially similar: “Photographer grants to Alaska Stock, solely for the purpose of registration, the copyright....”

The Copyright Office provided a letter to the trade association telling it how stock photo catalogs ought to be registered. The letter says that listing only three individual photographers by name, followed by the phrase “and x [number] others,” and naming the agency as owner of the copyrights was “acceptable when the accompanying deposit copies are catalogs consisting of photographs.” * * *

Having the written blessing of the federal administrative agency for its method, Alaska Stock filed its applications in accord with what the Copyright Office had said was required. * * *. The Copyright Office approved Alaska Stock’s applications and issued certificates of registration to the company.

* * *
Analysis

* * * *

The issue in this case arises because the phrase in the statute delegating authority to the Register to prescribe the forms used for registration applications says that the application “shall include” “the name . . . of the author or authors” and “the title of the work,” among other things. [17 U.S.C. § 409.] The Register of Copyrights has authority to permit “a single registration for a group of related works.” [17 U.S.C. § 408(c)(1).] The issue is whether the Register could prescribe a form and grant certificates extending registration to the individual photographs at issue where the names of each of the photographers were not provided, and titles for each of the photographs were not provided, on the applications.

First, names. The statute requires that the application include “the name and address of the copyright claimant,” “the name and nationality or domicile of the author or authors,” and if the “claimant is not the author, a brief statement of how the claimant obtained the ownership of the copyright.” [17 U.S.C. § 409.] Alaska Stock gave its name and address as the claimant and a statement of how it came to be the owner.

The issue of names arises from the provision requiring “the name and nationality or domicile of the author or authors.” Pursuant to the Register of Copyright’s longstanding procedure, Alaska Stock’s applications gave three names and said how many other authors there were. The Register of Copyrights granted certificates based on these applications. Addressing this practice, the Associate Register for Registration and Recordation of the United States Copyright Office filed a declaration stating that “[s]ince 1980, the Copyright Office has permitted, as a matter of practice, copyright registrations of collective works to cover underlying contributions where the rights in those contributions belong to the claimant even though the individual contributors are not named in the registration form.” She attached a portion of the Copyright Office, Compendium II: Compendium of Copyright Office Practices (1984), corroborating her declaration. The Compendium says “the names of the individual authors of separate contributions
being registered as part of the claim need not be given on the application.”

Thus there is no question that Alaska Stock provided names as required by the Register of Copyrights pursuant to a longstanding administrative practice. And there is no question that Alaska Stock did not provide names of the authors of each of the photographs registered.

Second, titles. The statute requires a “title” for the “work,” but only “an identification of any preexisting work or works that it is based on or incorporates” for compilations or derivative works.

The application for copyright registration shall be made on a form prescribed by the Register of Copyrights and shall include . . .

. . .

(6) the title of the work, together with any previous or alternative titles under which the work can be identified; . . .

. . .

(9) in the case of a compilation or derivative work, an identification of any preexisting work or works that it is based on or incorporates, and a brief, general statement of the additional material covered by the copyright claim being registered[.]. [17 U.S.C. § 409(6), (9).]

Alaska Stock provided titles for each work it registered, such as “Alaska Stock CD catalog 4,” and identified the contents with such phrases as “CD catalog of stock photos.” The applications did not provide titles for each photograph.

The district court concluded that the Copyright Office practice could not be reconciled with the statute, as to both authors and titles, so the registrations were inadequate. Houghton Mifflin argues that the statute unambiguously requires the names of all the authors and titles of all the constituent works. This tension between at least a superficial reading of the statutory text and the long standing administrative practice, remains a serious issue.
For titles, the statutory text and administrative practice are easily reconciled. The statute does not say that the registration application must include a “title” for each constituent work, just an “identification” of any “preexisting work or works”—Alaska Stock identified the contents with such phrases as “CD catalog of stock photos” and with CDs showing each image, even though it did not give each image a title.

The requirement that the application must include the “title of the work” refers to the collective work itself. The statute expressly requires only “identification,” in the singular, not titles of preexisting works incorporated, and a “brief, general statement of the additional material being covered.” * * *. There is no inconsistency between the statutory language and the Copyright Office procedure, allowing identification of the “work” without requiring titles for each constituent of the work.

The same analysis, that the “work” is what needs an author designated, applies to the authors subsection, even though unlike the “title” requirement it mentions “authors” in the plural:

The application for copyright registration shall be made on a form prescribed by the Register of Copyrights and shall include . . . (2) in the case of a work other than an anonymous or pseudonymous work, the name and nationality or domicile of the author or authors, and, if one or more of the authors is dead, the dates of their deaths[.] [17 U.S.C. § 409(2).]

This subsection says that the name of the author or authors of “the work” must be provided, the statute defines a “collective work” as being a type of “work,” [17 U.S.C. § 101.] and here, the author of the collective work was Alaska Stock. The references to nationality and domicile have to do with the provisions for protection of works of foreign origin in another section of the statute, [17 U.S.C. § 104.] which are immaterial to this case. The “author or authors” that must be listed in this context are the author or authors of the collective work itself, and the applications in this case do name the author of “the work,” Alaska Stock.
***

* * * * Houghton Mifflin points us to what it sees as the “purpose” of registration: to create a public record of “what specific works of intellectual property are registered.” It contends that “[v]alidating registrations that intentionally lack the basic identifying information that Section 409 requires would make that goal unattainable.” This policy argument suggests that numerous images by “Phillip Photographer” entitled “Mt. McKinley” would somehow identify the images more specifically than the images themselves, which were on the CDs.

The government makes a practical policy argument to the contrary in its brief, that the expensive and error-prone tedium of the Copyright Office typing all the names into its records may explain why the Register of Copyrights was satisfied to have the names of only three authors for so many years. The government suggests that the elimination of this typing, because of electronic registrations, explains why the Register now is experimenting with new provisions requiring more information on material included within collective works.

***

The Fourth Circuit recently confronted the question we face in this case and adopted the position advocated by Alaska Stock and the government. Metropolitan Regional Information Systems, Inc. v. American Home Realty Network, Inc., addressed whether a real estate listing service had properly registered the individual photographs of properties contained within their listings by registering their listings as a database. [Metro. Reg’l Info. Sys., Inc. v. Am. Home Realty Network, Inc., 722 F.3d 591 (4th Cir.2013).] A competing real estate listing service used these individual images without permission. The defendants in that case made the same argument Houghton Mifflin makes here, namely, that the “failure to identify names of creators and titles of individual works as required by 17 U.S.C. § 409(2) and (6) limits the registration[s] to the Database itself and therefore that the registration[s] do[ ] not extend to the individual elements in the Database.” [Id. at 597 (alteration marks original and internal quotation marks omitted).] The Fourth Circuit rejected this argument, holding
that “collective work registrations [are] sufficient to permit an infringement action on behalf of component works, at least so long as the registrant owns the rights to the component works as well.” [Id. at 598.] We agree.

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We recognize that Houghton Mifflin’s position has prevailed in one published and several unpublished district court decisions, but we do not agree with them.

***

_Chevron_ and its progeny generally articulate several reasons for deferring to administrative interpretation, including gap filling pursuant to implicit or explicit delegation to the agency, expertise of the agency in addressing technical and complex matters, and resolution of policy debates by “legislators and administrators” rather than judges. [Chevron U.S.A., Inc. v. Nat’l Res. Def. Council, 467 U.S. 837, 864, 104 S.Ct. 2778, 81 L.Ed.2d 694 (1984).] While these considerations counsel in favor of deference in this case, an even stronger reason does as well.

A longstanding administrative interpretation upon which private actors have relied aids in construction of a statute precisely because private parties have long relied upon it. * * * “In light of . . . substantial reliance interests, the longstanding administrative construction of [a] statute should ‘not be disturbed except for cogent reasons.’ ” [Zenith Radio Corp. v. United States, 437 U.S. 443, 457–58, 98 S.Ct. 2441, 57 L.Ed.2d 337 (1978).]

We are not performing a mere verbal, abstract task when we construe the Copyright Act. We are affecting the fortunes of people, many of whose fortunes are small. The stock agencies through their trade association worked out what they should do to register images with the Register of Copyrights, the Copyright Office established a clear procedure and the stock agencies followed it. The Copyright Office has maintained its procedure for three decades, spanning multiple administrations. The livelihoods of photographers and stock
agencies have long been founded on their compliance with the Register’s reasonable interpretation of the statute. Their reliance upon a reasonable and longstanding administrative interpretation should be honored. Denying the fruits of reliance by citizens on a longstanding administrative practice reasonably construing a statute is unjust.

Notes

1. The Purposes of Registration: Providing Information About Works Under Copyright — and in the Public Domain. Ever since the very first Copyright Act in 1790, Congress has provided for public registries of claims to copyright. Since 1870, the registry has been centralized in the Library of Congress, and since 1897 in the Copyright Office within the Library of Congress. What public benefits do a registry and the process of registration provide? One possible benefit is providing information about works under copyright, to facilitate use of and commercial transactions in those works. Take a look at the registration application form on pages 502–503, a form used for registration of nondramatic literary works, from novels to computer programs. (Most applicants now submit applications online, but it’s easier to present the paper forms in this book.) What information would a properly completed form provide about the work? Perhaps the most basic information is the name and address of the party claiming to own copyright,
which would help anyone who wanted to obtain permission to use the work. (Recall that proper copyright notice includes the name of the copyright owner, but no contact information.)

A completed form, however, provides much other useful information. Note, for example, Item 6: the applicant states whether or not the work in question is a derivative work or a compilation, and if so, provides information about what is new material in which copyright is claimed, and what is preexisting material that may be in the public domain or owned by someone else. That’s also important to know when considering whether you need to license a work and from whom you need to license it. In Alaska Stock, the plaintiff’s registrations were styled as registrations of compilations. Given what you know about creativity in compilations, what kind of creativity in selection and arrangement do you suppose the plaintiff exhibited in putting together the CD-ROMs with hundreds of different photographs? How likely is it that anyone would use most or all of those photographs in a way that would preserve the plaintiff’s selection and arrangement?

Recall that the missing information in the registration forms at issue in Alaska Stock was the names of the authors and titles of the individual constituent works in the purported compilation – in other words, of each individual photograph. The titles don’t need to be fancy — they might just be numbers — but they are a means of identifying the works and connecting them to authors. Why is the name of the author important? In part, the answer to this question depends on subjects that we haven’t yet studied in detail, but here are two clues. First, the basic term of copyright is now the life of the author plus 70 years, so we need to know who the author is (or was) to know whether the work is still under copyright. Second, all authors of works that are not works made for hire have nonwaivable rights to terminate any transfer of copyright they have made. For transfers made on or after January 1, 1978, authors and certain successors can terminate any license or assignment between 35 and 40 years after they originally executed it.
2. Weighing the Costs and Benefits of Requiring More Information. In its regulations regarding registration of multiple works on a single application, the Copyright Office seems to be carefully weighing the costs and benefits in particular contexts of requiring detailed information about each included work. For example, groups of published photographs can be registered on a single application only if they were all taken by a single photographer, named on the application. See 37 C.F.R. 202.3(b)(10)(ii). Unpublished collections of works can only be registered on a single application if all of the works have at least one author in common, also named on the application. See 37 C.F.R. 202.3(b)(4)(B)(4). Those provisions limit the amount of missing author information. Published serials – newspapers and magazines – can be registered in groups even though they are the product of many authors, and the authors do not all need to be named on the application. See 37 C.F.R. 202.3(b)(6). In that context, however, one might expect that ordinarily, the authors of individual articles are credited in the newspaper or magazine issues, so that the copyright deposit copies of those issues – as well as the copies in public circulation – preserve more detailed author information.

Most of the registrations at issue in Alaska Stock were based on applications to register “automated databases.” That category of group registration was originally created to address problems with registering “dynamic databases” that were “constantly changing” with “updates or other revisions” that might consist of “small increments of information.” Registration of Claims to Copyright: Registration and Deposit of Databases, 54 Fed. Reg 13177 (March 31, 1989). (Can you think of an example of a “dynamic database”? Here’s hint. One such database has a name that rhymes with “Best Slaw.”)

The automated database regulation allows claimants to register three months of revisions to such a database in a single application, without naming each author of each revision. See 37 C.F.R. § 202.3(b)(5)(F). Can you imagine the considerations that went into defining the category of “automated databases” and setting requirements for it? How well do the compilations of
photographs registered by the Alaska Stock plaintiff seem to fit in this category? What are the best arguments for and against considering such compilations as “automated databases”?

3. Considering Improvements to the Registry’s Information Function. Are there ways that the copyright registry could be improved to better serve its information function? Consider these points:

- **Identifying works.** Many works, such as photographs and sound recordings, may be published without titles or other credits. If you encounter an unidentified work online and are interested in licensing it, how do you find out who owns it? The Copyright Office database is currently only searchable by title, author, and so on. Private companies, however, have constructed databases that allow searches with an image or a sound recording itself as an input. Could such services connect with the Copyright Office database, leading a searcher directly to registration information?

- **Linking to Licensing Agent Databases.** Many private organizations that act as licensing agents — ASCAP, BMI, SESAC, SoundExchange, the Copyright Clearance Center, Harry Fox, the Motion Picture Licensing Center, and Movie Licensing USA, to name a few — maintain their own registries and databases, but they are not linked or keyed to the Copyright Office database. Might building such links facilitate communication for licensing transactions?

- **Making Registration Easier.** To register a work, you now need, at the very least, to go to the Copyright Office website, enter in a bunch of information, upload a deposit copy of the work, and pay $35. That’s enough of a barrier that a very large percentage of published works (no one knows exactly what the percentage is) are not registered. If it useful to collect and make available registration information, why not make registration easier? For example, why not work with software companies to build a registration button into all major authoring software — Microsoft Word for text, Adobe
Photoshop for photos and graphics, Pro-Tools for sound recordings, Sibelius for musical composition, and so on? Or perhaps the Copyright Office should certify various trade and other organizations to perform the registration function, just as ICANN certifies a variety of domain name registrars, which might result in more public awareness of registration and lower prices. See Pamela Samuelson, et al., The Copyright Principles Project: Directions for Reform 27-29 (2010), http://www.law.berkeley.edu/files/bclt_CPP.pdf.

Can you think of other ideas for improving the information flow about works of authorship? There is room for plenty of innovation in this area.

Insert after the end of note 2 on page 534:

3. Section 104A, the Berne Convention, and NAFTA and TRIPS. Restoration of foreign copyrights is compelled by an interpretation of § 18(1) of the Berne Convention, which states that the Convention’s provisions, including the ban on formalities as conditions of copyright, apply “to all works which, at the moment of [the Convention’s] coming into force, have not yet fallen into the public domain in the country of origin through the expiry of the term of protection.” Yet the United States did not enact § 104A when it joined the Berne Convention; it waited until it joined NAFTA and TRIPS. Why do you think that might be? Consider that while the Berne Convention has no effective means of enforcement, TRIPS, which incorporated almost all of the Berne Convention, does; the WTO Dispute Settlement Body can authorize trade sanctions against a country found to be in violation of a TRIPS provision.

Chapter 8: Initial Ownership of Copyright

p. 558 – add the following at the bottom of the page:

Greene v. Ablon

United States Court of Appeals, First Circuit, 2015
II. The Copyright Dispute

A. Factual Background


In early 2002, Greene and Ablon wrote a prospectus for a new book, ultimately called *Treating Explosive Kids: The Collaborative Problem Solving Approach* (“*Treating Explosive Kids*”). The prospectus acknowledged that the CPS Approach had first been articulated in Greene’s prior work, *The Explosive Child*. In contrast to its predecessor, *Treating Explosive Kids* was to be coauthored by Greene and Ablon and written for an audience of mental health professionals. In April 2002, they signed a publishing contract with Guilford Publications, Inc. (“Guilford”), agreeing to complete the book by the end of 2002.

Both Greene and Ablon agree that, at the time they signed the publishing contract, they intended that Ablon would make substantive contributions to the book. They disagree, however, about the quantity and quality of Ablon’s actual contributions. According to Ablon, he “submitted most if not all of the treatment vignettes”—dialogues that appear on 145 pages of the 226-page book. Ablon also claims to have taken “the lead in writing Chapter 8, regarding implementation of CPS in therapeutic and restrictive facilities, which
wound up being 25 pages long,” to have written “significant parts of other portions of the book[,] and [to have] reviewed and made suggestions for many other sections.”

Greene tells a different story. According to Greene, “After significant delay, Dr. Ablon, rather than delivering an acceptable manuscript, delivered to me an ‘attempt’ at only one chapter.” Ablon’s work was, in Greene’s view, “poorly written, lacked focus, and did not accurately represent the [CPS Approach].” Greene claims that, after consulting with the agent who had represented him and Ablon in their dealings with Guilford, he discarded “most” of Ablon’s draft and wrote what amounted to almost the entire book himself. However, as Greene explains, “In an attempt to salvage for him some co-authorship role, we decided that he (Dr. Ablon) would contribute as original material some treatment vignettes describing some treatment interactions he had encountered.” Greene calculates that Ablon’s contributions survived on fewer than fifteen pages of the final published text. Both authors acknowledge that Greene edited the drafts.


By 2007 or 2008, Greene and Ablon’s relationship had soured, and efforts to improve their relationship through lawyers and a mediator proved ineffective. Ablon became a full-time employee at MGH at the end of 2008 and, soon after, was appointed Director of the Think:Kids program. In that capacity, Ablon has created written expression, including PowerPoint slides, that describe and promote the CPS Approach and which form part of the basis for this action. MGH terminated Greene’s employment on January 15, 2009.

* * *

C. Joint Work
The district court held in its summary judgment ruling that *Treating Explosive Kids* is a joint work. Under the Copyright Act, a joint work is “a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole.” 17 U.S.C. § 101. “Inseparable” contributions “have little or no independent meaning standing alone,” as might frequently be the case with collaboration on a written text like a play or a novel. *Childress v. Taylor*, 945 F.2d 500, 505 (2d Cir.1991). “Interdependent” contributions, on the other hand, “have some meaning standing alone but achieve their primary significance because of their combined effect, as in the case of the words and music of a song.” *Id.* For a work to be “joint,” the authors must have intended, “at the time the writing is done,” that their contributions be merged into “an integrated unit.” *Id.* (emphasis omitted) It is not necessary that the authors’ contributions be quantitatively or qualitatively equal, only that each author’s contribution be more than de minimis. 1 Melville Nimmer & David Nimmer, *Nimmer on Copyright* § 6.07[A][1] (2014) (“Nimmer”).

Authors who create a joint work co-own the copyright in that work. 17 U.S.C. § 201(a). Joint authors share “equal undivided interests in the whole work—in other words, each joint author has the right to use or to license the work as he or she wishes, subject only to the obligation to account to the other joint author for any profits that are made.” *Thomson v. Larson*, 147 F.3d 195, 199 (2d Cir.1998). Even if it is clear that one co-author has contributed more to the work than another co-author, they are nevertheless equal owners of the copyright in the absence of an agreement to the contrary. 1 Nimmer § 6.08.

Greene argues that it is a genuine issue of material fact whether he intended his contributions to merge with Ablon’s into a unitary whole. He concedes that the book, as originally conceived, would have been such an integrated work, but insists that his intention changed after seeing Ablon’s early efforts. At that point, Greene asserts, the initial project was aborted and reignited with different intentions: Ablon’s contributions were to be limited to a handful of stand-alone vignettes. As noted, Greene calculates that
Ablon’s contributions ultimately comprised no more than fifteen pages of the final 226-page published manuscript.

Even accepting that Ablon contributed a scant fifteen pages of excisable vignettes, Greene’s argument fails because he confuses the quality and quantity of Ablon’s contributions with the relationship the authors intended those contributions would have to the rest of the book. We agree with the district court that “there is no evidence that either Greene or Ablon believed that *Treating Explosive Kids* was anything other than a unitary book, and there is abundant evidence that Ablon’s contributions to the book would be [i.e., proved to be and, more importantly, were intended to be] interdependent with Greene’s contributions.” Although Ablon’s vignettes and Greene’s surrounding passages may “have some meaning standing alone,” the structure of the book—vignettes nested in related text—demonstrates that these contributions were undoubtedly intended to “achieve their primary significance because of their combined effect.” *Childress*, 945 F.2d at 505. Furthermore, the prospectus, the publishing contract, the copyright notice, and the book itself all describe Greene and Ablon, without distinction, as co-authors of a single work. Based on these facts, the only reasonable conclusion is that Ablon’s contributions were always intended to be interdependent with Greene’s. Therefore, the district court correctly determined at summary judgment that *Treating Explosive Kids* is a joint work, meaning that Greene and Ablon jointly own the copyright in that work.

D. Derivative Work

* * *

A derivative work is “a work based upon one or more preexisting works.” 17 U.S.C. § 101. It “consists of a contribution of original material to a pre-existing work so as to recast, transform or adapt the pre-existing work.” Mass. Museum of Contemporary Art Found., Inc. v. Büchel, 593 F.3d 38, 64–65 (1st Cir.2010) (quoting 1 *Nimmer* § 3.03[A]). Importantly, “[t]he copyright in a . . . derivative work extends only to the material contributed by the author of such work,
as distinguished from the preexisting material employed in the work. .."
17 U.S.C. § 103(b). With respect to that preexisting work, “[a]ny elements that the author of the derivative work borrowed from the underlying work . . . remain protected by the copyrights in the underlying work.” Gamma Audio & Video, Inc. v. Ean–Chea, 11 F.3d 1106, 1112 (1st Cir.1993).

Greene maintains that, when a derivative work is created jointly, each co-author owns only the contributions he or she personally penned. However, nothing about the limited scope of a derivative work copyright upsets the ownership regime that normally arises when more than one author contributes to a work. When the authors of a derivative work are joint authors, they share equally in the copyright to the derivative work, regardless of who penned the new material. See 17 U.S.C. § 201(a). Thus, Greene has no greater claim than Ablon to any of the original expression in Treating Explosive Kids, and he cannot claim copyright infringement on the basis of Ablon’s use of that original expression in his PowerPoint slides.

We do have the fact here that an author of the joint work, Treating Explosive Kids, is also the author of the relevant preexisting work, The Explosive Child. However, that coincidence does not affect the contours of the Treating Explosive Kids copyright, nor does it upset the joint ownership arrangement described above. Treating Explosive Kids may be both joint and derivative, with Greene alone owning the copyright in the underlying work—The Explosive Child—and co-owning the copyright in the derivative work with Ablon.¹

¹ Professor Nimmer provides another example of how a work may be both joint and derivative. He posits a screenplay based on a novel. “[T]he screenplay is a derivative work of the novel on which it is based. Let us imagine that [two writers] work together to translate the [novel] to the silver screen. Their resulting screenplay, as between themselves, is a joint work. Nonetheless, vis-a-vis the novel, their screenplay is a derivative work. One and the same production thus can occupy both statuses.” 1 Nimmer § 6.05 (emphasis omitted). In that example, the screenplay writers co-own the screenplay copyright, which does not include expression from the preexisting novel.
Hence, Greene might have a viable infringement claim against Ablon if Ablon created a derivative of *Treating Explosive Kids*, such as the slides, that used the non-original material in *Treating Explosive Kids*—i.e., material derived from *The Explosive Child* and covered by Greene’s copyright in that work. Consequently, Greene should have been allowed to introduce into evidence slides with expression drawn verbatim from *Treating Explosive Kids*. He could have used that expression to argue to the jury both that *Treating Explosive Kids* is a derivative work based on *The Explosive Child* and, relatedly, that Ablon drew on expression from *Treating Explosive Kids* that the co-owned *Treating Explosive Kids* copyright did not encompass. See, e.g., *Oddo v. Ries*, 743 F.2d 630, 634 (9th Cir.1984) (holding that the co-owner of a derivative work infringes on the other co-owner’s preexisting work when he uses it without permission in a subsequent work, notwithstanding that the preexisting work was used in the co-owned derivative); see also *Danjaq LLC v. Sony Corp.*, No. CV97–8414–ER (Mcx), 1998 WL 957053, at *3 (C.D.Cal. Jul. 29, 1998) (“[T]he owner of the copyright in the original work may sue the author(s) of a joint-derivative work who make further derivative works which employ pre-existing material from the original work without the permission of the owner of the original work.”). Instead, the court only allowed Greene to introduce into evidence slides with expression that did not appear verbatim in *Treating Explosive Kids*, on the theory that only those slides would support an argument that Ablon had infringed Greene’s copyright in *The Explosive Child*.

On the record before us, however, we are unable to assess whether the district court’s erroneous conclusion harmed Greene in any way. Greene failed to make an offer of proof of the alleged two dozen additional expressions that he claims he would have sought to introduce at trial if the court had allowed the jury to determine whether *Treating Explosive Kids* is a derivative work. See Fed.R.Evid. 103(a)(2) (requiring an offer of proof); *Faigin v. Kelly*, 184 F.3d 67, 86 (1st Cir.1999) (“[I]t is a bedrock rule of trial practice that, to preserve for appellate review a claim of error premised on the exclusion of evidence, the aggrieved party must ensure that the record sufficiently
reflects the content of the proposed evidence.”  * * * Since Greene has not developed a record to show that he has been harmed, we decline to remand for further proceedings.

E. Accounting

    Apart from the infringement claim based on Ablon’s unlawful use of expression from *The Explosive Child*, Greene sought an accounting from Ablon for Ablon’s use of their joint work, *Treating Explosive Kids*. According to Greene, Ablon earned profits from activities that used expression taken from *Treating Explosive Kids* and, since they co-owned the copyright to that work, Ablon was obligated to share the profits with Greene. The parties agreed that the accounting claim would be submitted to the court instead of to the jury. After the infringement trial, Greene moved for judgment on his accounting claim. The court denied the motion because Greene had not presented any evidence that Ablon had actually received any profits from his use of their joint work. Hence, there was nothing for which to account.

    A co-owner “must account to other co-owners for any profits he earns from licensing or use of the copyright.” *Oddo*, 743 F.2d at 633. The duty to account “comes from ‘equitable doctrines relating to unjust enrichment and general principles of law governing the rights of co-owners.’”  * * *

    As discussed in Section II(C), *Treating Explosive Kids* is a joint work. Therefore, Greene and Ablon co-own the copyright to that work. Greene argues that Ablon owes him an accounting for having exploited *Treating Explosive Kids* in two contexts. First, as director of MGH’s Think:Kids enterprise, Ablon allegedly used expression from *Treating Explosive Kids* in MGH programs, advertising, and fundraising efforts, as well as in the treatment of clients and in the training of clinicians, yielding “large sums of revenue” for MGH in the form of donations and fees. Second, Ablon allegedly earned revenue for himself by using material from *Treating Explosive Kids* in talks he gave outside of MGH.
1. MGH Revenue

The district court rejected Greene’s first theory because, as a matter of law, Ablon could not be called to account for MGH’s profits. The court correctly held that “donations and fees to MGH are not subject to an accounting as to Ablon’s profits.” As Greene concedes, an accounting can only be sought from a co-owner, not the co-owner’s licensee, see 1 Nimmer § 6.12[B], and MGH is not a co-owner of the copyright in this case.

Still, Greene argues, even if Ablon did not himself earn revenue from allowing MGH to use the copyright (impliedly licensing the copyright to MGH), MGH’s financial gain shows that the copyright had value, and Ablon must account to him for that value. In this argument, Greene is pressing the depletion theory of copyright accounting, which supposes that one co-owner’s use of the work necessarily reduces the residual value available for other co-owners to exploit. See 1 Nimmer § 6.12[A]. This lost value, the theory goes, is what justifies the accounting. In effect, Greene argues that a party’s duty to account for profits earned is really a duty to account for value lost.

We acknowledge the theoretical appeal of the notion that if one owner permits free use of the copyright, that owner incurs a debt to his co-owner because the use, paid-for or not, partially depletes the value of the copyright. However, the duty to account is for profits, not value. See Cambridge Literary Props., Ltd., 510 F.3d at 84 (discussing an “accounting for profits by a co-owner of a copyright”); Goodman, 78 F.3d at 1012 (“It is widely recognized that ‘[a] co-owner of a copyright must account to other co-owners for any profits he earns from the licensing or use of the copyright ....’” (quoting Oddo, 743 F.2d at 633)); Weissmann v. Freeman, 868 F.2d 1313, 1318 (2d Cir.1989) (“The only duty joint owners have with respect to their joint work is to account for profits from its use.”); see also Shapiro, Bernstein & Co. v. Jerry Vogel Music Co., 221 F.2d 569, 571 (2d Cir.1955), modified, 223 F.2d 252 (2d Cir.1955) (holding that the defendant was “entitled to an accounting ... of the
proceeds received from the exploitation of the copyright” (emphasis added)); Picture Music, Inc. v. Bourne, Inc., 314 F.Supp. 640, 646–47 (S.D.N.Y.1970) (referring to a duty to account for “compensation”). Indeed, Congress itself referred to “profits” as the subject of a co-owner's duty to account. See H.R.Rep. No. 94–1476, at 121 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5736 (describing co-owners of a copyright “as tenants in common, with each co-owner having an independent right to use or license the use of a work, subject to a duty of accounting to the other co-owners for any profits”). Since Ablon can be called to account only for profits earned, not value lost, the district court correctly held that MGH's alleged financial gain was irrelevant to Ablon’s duty to account.

2. Ablon’s Revenue

In his motion for an accounting, Greene referred generally to the “evidence at trial” to support his contention that Ablon “engaged in speaking programs outside of MGH for which he was likely compensated.” The district court rejected this argument, stating, “Greene does not identify the evidence that would tie the Treating Explosive Kids copyright to compensation that Ablon was ‘likely’ to have received.” We agree that the record does not support this claim. Even if Ablon were compensated for these speaking engagements, Greene has not provided evidence that Ablon’s compensation would have been tied to his use of expression from Treating Explosive Kids as opposed to, for example, the underlying ideas. See 17 U.S.C. § 102(b) (“In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery....”)

* * *

p. 570 main volume – add the following after Note 8 “Works Made for Hire Under the 1909 Act”.

9. Works Made for Hire and Superheroes. Once confined to the pulpy pages of comic books and the sole province of middle-school-aged boys, the comic-book superhero has now become an extraordinarily lucrative piece of intellectual property. Superman, Batman, Spiderman, Captain America and their many colleagues now regularly appear in blockbuster movies, licensed products and even the occasional disastrous Broadway play. The economic value of these characters has caused their original creators – or more often, the descendants of those creators – to attempt to recapture the ownership of the relevant copyrights from the corporations that currently hold them under provisions we consider in depth in section B(2) of Chapter 10. They are not allowed to do so, however, if the works in question constitute works made for hire. Marvel Characters, Inc. v. Kirby, 726 F.3d 119 (2nd Cir. 2013) is illustrative of the kind of situations that have been litigated.

Jack Kirby, a legendary comic book artist, prepared a total of 262 works for Marvel Comics during the 5-year period from 1958 to 1963. The Second Circuit summarized the working relationship between Kirby and Marvel as follows:

It is undisputed that Kirby was a freelancer, i.e., he was not a formal employee of Marvel, and not paid a fixed wage or salary. He did not receive benefits, and was not reimbursed for expenses or overhead in creating his drawings. He set his own hours and worked from his home. Marvel, usually in the person of Stan Lee, was free to reject Kirby’s drawings or ask him to redraft them. When Marvel accepted drawings, it would pay Kirby by check at a per-page rate.

Despite the absence of a formal employment agreement, however, the record suggests that Kirby and Marvel were closely affiliated during the relevant time period. . . . And Kirby seems to have done most of his work with Marvel projects in mind. Although the Kirby children assert that their father could and did produce and sell his work to other publishers during those years, lists of
Kirby’s works cited by both parties establish that the vast majority of his published work in that time frame was published by Marvel.

To determine whether the works at issue in this case were “for hire” the Second Circuit applied what it called the “instance and expense test” under the 1909 statute. Under this approach, “an independent contractor is an ‘employee’ and a hiring party an ‘employer’ for purposes of the [1909 Act] if the work is made at the hiring party’s ‘instance and expense.’” Playboy Enterprises, Inc. v. Dumas, 53 F.3d 549, 554 (2d Cir.1995). The court went on to explain that work was at the instance of the hiring party if that party induced the creation of the work and had the power to direct the manner in which it would be performed, in some cases even if that power was not exercised (an approach explicitly repudiated in CCNV for cases arising under the 1976 Act). Regarding the “expense” component of the test, the court that the provision of tools, resources or overhead were usually relevant factors in the inquiry, as is payment of a flat sum for the work, rather than a royalty arrangement.

Applying this test to the works at issue, the court found that they were works made for hire. It noted that the relationship between Kirby and Marvel was “close and continuous” and that Marvel had published the “great majority” of Kirby’s work during the relevant time period. As the court put it, “Kirby’s works during this period were hardly self-directed projects in which he hoped Marvel, as one of several potential publishers, might have an interest; rather, he created the relevant works pursuant to Marvel’s assignment or with Marvel specifically in mind.” It also stressed that Kirby was paid a flat fee per page of work, and that although Marvel could reject work, because the material built on pre-existing characters and story lines, Kirby had a relatively certain assurance of payment.

Does the approach of the Kirby court essentially mean that any specially commissioned work will be treated as a work made for hire under the 1909 Act? Be sure to pay attention to the very
different approach used in this kind of situation under the current statute when you get to *Morris v. Atchity* just a few pages further on in the main volume.

**Chapter 10: Copyright Duration and Related Limitations on Transfer**

p. 764: Add the following to the end of Note 2

A recent example is *Baldwin v. EMI Feist Catalog, Inc.*, 805 F.3d 18, 27 (2d Cir. 2015), involving that perennial December earworm *Santa Claus is Coming to Town*. In 1951, the author of the song, J. Fred Coots, executed a grant to EMI, a music publisher in 1951. In 1981, using the threat of a future termination under section 304, Coots renegotiated the deal. Some decades later, Coots’ heirs sought to terminate the 1981 grant. EMI argued that the 1951 grant was still controlling and that it could no longer be terminated under section 304, but the court found that the 1981 agreement supplanted the earlier deal even though it did not say so explicitly. The result was a win for the heirs who will recover the rights to the song in 2016, exactly 35 years after the 1981 deal was executed.

pp. 777-778: Replace note 1 with the following:

1. **Same Sex Couples and Termination of Transfers.** Many openly gay persons have been highly successful in the arts. A very, very small illustrative list would include playwrights Edward Albee and Tennessee Williams, Broadway composers Stephen Sondheim and Jerry Herman, singer-songwriters Melissa Etheridge and Elton John, and authors Truman Capote and David Sedaris. Until recently, the termination rights held by these artists might not have inured to the benefit of their life-long companions because of the lack of marriage rights for same sex couples. Unless you have been unusually inattentive to current events, however, you are likely aware that the Supreme Court held in *Obergefell v. Hodges*, 135 S.Ct. 2584 2015 WL 2473451 (2015) that marriage is a fundamental right and that the due process and equal protection clauses of the Fourteenth Amendment forbid states from denying same-sex
couples that right. Assume you were counseling a successful author, composer, or sculptor who was in a committed relationship (either with someone of the same or opposite sex), but who did not wish to marry. What steps would you advise him or her to take to insure that his or her partner would be the one holding the right to terminate any assignments or licenses in the event that the creator was not alive 35 years after the agreements were signed?

Chapter 11  The Reproduction, Distribution, and Adaptation Rights, and the Visual Artists Rights Act

p. 785 – insert at the end of the list of statutory licenses for which the Copyright Royalty Board sets rates:

The Constitution and the Appointment of Copyright Royalty Judges. In July 2012, the Court of Appeals for the District of Columbia Circuit held that the statutory scheme under which Copyright Royalty Judges (“CRJs”) are appointed violated the Appointments Clause of the U.S. Constitution. See Intercollegiate Broadcasting System, Inc. v. Copyright Royalty Board, 2012 WL 2609324 (C.A.D.C.). To remedy the constitutional violation, the court voided the statutory limitation on the power of the Librarian of Congress to remove the CRJs, thus empowering the Librarian to remove the CRJs at will, but preserved the remainder of the scheme.

p. 803 – insert after note 3:

3A. Subsequent Developments. In June, 2012, the Eighth Circuit reinstated the original verdict of $220,000 against Ms. Thomas (now Ms. Thomas-Rasset). It noted that “[t]he Supreme Court never has held that the punitive damages guideposts are applicable in the context of statutory damages.” Capitol Records, Inc. v. Thomas-Rasset, 692 F.3d 899, 907 (8th Cir. 2012). Unlike punitive damages, which are unpredictable, the Court of Appeals noted that the amount of potential statutory damages are “identified and constrained” by the statute. Id. It thus held that the original jury award of $9,250 per each of twenty-four works is not “so severe and oppressive as to be wholly disproportioned to the offense and
obviously unreasonable.” *Id.* (quoting *St. Louis, I. M. & S. Ry. Co. v. Williams*, 251 U.S. 63, 67 (1919)). In March 2013, the Supreme Court denied Thomas-Rasset’s petition for certiorari, leaving her obligated to pay the full $220,000 award. *Thomas-Rasset v. Capitol Records, Inc.*, 133 S.Ct. 1584 (2013). Even more recently, the First Circuit reached the same result on the same reasoning, sustaining a verdict of $675,000 for the downloading and distribution of 30 songs ($22,500 each). *Sony BMG Music Entertainment v. Tenenbaum*, 719 F.3d 67 (1st Cir. 2013).

p. 813 – insert after note 5:

6. **Digital First Sale? A U.S. Assessment.** In the “old world” of physical distribution of copies and phonorecords, movies, music and software typically came in packages that contained relatively few works – a DVD might contain one or two movies, and CD might contain ten or twelve songs. By contrast, in the “new world” of electronic distribution, the physical copy of a song acquired by a purchaser typically resides on a hard drive or flash memory that likely contains thousands of other works – an eclectic jumble of music, video, documents, application software, and an operating system. The § 109 privilege to sell the hard drive without the permission of the owner of copyright in all of those works is of little practical use: how often will you want to sell all of those works at once, and then find a buyer who wants just that idiosyncratic collection of copies that you have acquired over a number of years?

Several companies have tried to recreate markets for copies of single works in the digital networked environment. One such effort in that of U.S.-based ReDigi, Inc. to create a “virtual marketplace” for used iTunes songs. Under ReDigi’s original system, when an owner of a copy of a song purchased on iTunes or from another ReDigi user sells it to another ReDigi user, the file is transmitted to the purchaser’s computer, through the intermediate step of a transfer to a ReDigi server, and the seller is directed by the ReDigi software to delete the file from her own computer. ReDigi’s policy is to suspend the accounts of sellers who refuse to delete the
sold files, but the ReDigi software can only detect song files on the computer on which it is installed and any connected devices, not on other devices onto which a song may have been copied.

Capitol Records sued ReDigi, and in *Capitol Records, LLC v. ReDigi, Inc.*, 2013 WL 1286134 (S.D.N.Y), Judge Richard J. Sullivan granted Capitol’s motion for summary judgment on the issue of copyright infringement. Judge Sullivan held, first, that a transfer of a file from one computer to another involved the making of a reproduction within the scope of a copyright owner’s § 106(1) reproduction right, even if the file was then deleted from the source computer, and also amounted to a distribution within the scope of the § 106(3) distribution right. He then rejected ReDigi’s argument that the § 109 first sale doctrine should be construed to shield ReDigi’s activities from liability. He noted that the § 109 privilege concerns only the distribution right, and thus cannot affect ReDigi’s liability for making reproductions; he also reasoned that § 109 is limited to distributions that involve copies “lawfully made under this title,” which the new copies on purchasers’ computers are not. Judge Sullivan declined ReDigi’s invitation to adapt § 109 to the digital world, concluding that that should be left to Congress. He refused to rule on the copyright implications of “ReDigi 2.0,” a new version launched well after Capitol filed its complaint, under which users could direct new iTunes purchases to be downloaded directly onto ReDigi servers, and stream those songs from those servers whenever they wanted to listen to them. Under the 2.0 system, a “sale” of a song would simply reallocate rights over the copy on Redigi’s server, without changing its physical location. What is your assessment of the chance that the Redigi 2.0 system will survive an infringement challenge?

software itself was downloaded from an Oracle server, and unlocked using a license key. The court held that as long as the license was perpetual, and had been given “in return for payment of a fee intended to enable [Oracle] to obtain a remuneration corresponding to the economic value of the copy of the work of which [it] was a proprietor,” then Oracle’s copyright rights in that license were exhausted, and the license could be sold by the first user and by Usedsoft without Oracle’s authorization.

This decision treats the bundle of rights to use a copy as the copy itself for purposes of applying the first sale doctrine, doesn’t it? Does that subtle but powerful shift represent one way of preserving secondary markets in a digital networked world? Note that network connections could enable Oracle to control attempts to use a single license on more than one computer: software could be configured to report the entry of a license key to Oracle, and to run only if another computer was not reporting the use of the same license key to unlock the software. Is this the wave of the future? Or will most software and entertainment move to a subscription model in which no user owns perpetual rights? See Greg Sandoval, Has Spotify killed the iTunes star? Download sales slow as streaming picks up, The Verge, July 19, 2013; David Pogue, Software as a Monthly Rental, The New York Times, July 3, 2013 (discussing Adobe’s decision to offer Photoshop on a rental-only basis)

p. 819: Replace Note 3 with the following:

3. California’s Resale Royalty Act: Passed 1976, Declared Unconstitutional 2015 and 2016 . . . Many countries provide some types of authors, typically visual artists, with the right to receive a part of the proceeds from any resale of their works, a right traditionally referred to by its French name, the “droit de suite.” The U.S. Copyright Act does not recognize such a right, but one state, California, passed legislation in 1976 which does. Under the California Resale Royalty Act (CRRA), an artist is entitled to 5 percent of the gross resale price of her “work of fine art” if that resale price is more than $1000, and is also more than the price at which the seller purchased the work. See Cal. Civ. Code § 986
The CRRA requires that its 5% royalty be paid “if the seller resides in California or the sale takes place in California.” Cal. Civ.Code § 986(a).

Two recent cases, however, have together held the entire CRRA to be invalid. In the first case, the defendants, who were sued for failure to pay the required royalty on the sale of several works, challenged the constitutionality that part of the statute that purported to cover sales made outside of California solely because the seller was a California resident. That case was eventually reviewed by the en banc Ninth Circuit; in Sam Francis Foundation v. Christies, 784 F.3d 1320 (9th Cir. 2015) (en banc), cert. denied, 136 S.Ct. 795 (2016), it struck down the challenged portion of the statute, finding it violative of the so-called dormant commerce clause, which forbids state regulation of commerce that takes place “wholly outside of the state’s borders.”

The Sam Francis Foundation court found that the unconstitutional portion of the statute was severable from the provision requiring a royalty when the sale takes place within California. More recently, however, a federal District Court held that the latter provision was preempted by the Copyright Act. In Estate of Graham v. Sotheby’s, Inc., 2016 WL 1464229 (C.D. Cal., April 11, 2016), the court concluded that duty to pay royalties upon resale, as required by the California law, conflicted with the federal first sale doctrine, codified in § 109 of the Copyright Act. “By conferring unwaivable royalty rights on artists, and obligating resellers to identify and locate those artists, the CRRA restricts transactions that § 109(a) intended to leave unrestricted. . . . The royalty obligation . . . acts as a disincentive for art investors to resell their art, thereby restricting the secondary markets for fine art in California. That result both undercuts the purpose of the first sale doctrine and inhibits the uniformity Congress sought to achieve by enacting the Copyright Act.” Id. at *5.

Does the result in these cases persuade you that there should be a federal law requiring resale royalty payments on the sale of works of fine art? In December 2013, the Copyright Office released
Resale Royalties: An Updated Analysis (updating its 1992 report entitled Droit de Suite: The Artist’s Resale Royalty). The updated report offers what might be characterized as a mild endorsement of federal resale royalty legislation: “The Office finds no clear impediment to implementation of a resale royalty right in the United States and supports the right as one alternative to address the disparity in treatment of artists under the copyright law . . . [M]ore deliberation is necessary to determine if it is the best option.” U.S. Copyright Office, Resale Royalties: An Updated Analysis 2-3 (December 2013).

pp. 820-830 – replace the opinion in Quality King Distributors, Inc. v. L’Anza Research International, Inc. and the notes thereafter with the following:

*Kirtsaeng v. John Wiley & Sons, Inc.*

Supreme Court of the United States, 2013
2013 WL 1104736

Justice BREYER delivered the opinion of the Court.

Section 106 of the Copyright Act grants “the owner of copyright under this title” certain “exclusive rights,” including the right “to distribute copies ... of the copyrighted work to the public by sale or other transfer of ownership.” 17 U.S.C. § 106(3). These rights are qualified, however, by the application of various limitations set forth in the next several sections of the Act, §§ 107 through 122. Those sections . . . include . . . the doctrine at issue here, the “first sale” doctrine (§ 109).

Section 109(a) sets forth the “first sale” doctrine as follows:

“Notwithstanding the provisions of section 106(3) [the section that grants the owner exclusive distribution rights], the owner of a particular copy or phonorecord lawfully made under this title . . . is entitled, without the authority of the copyright owner, to sell or
otherwise dispose of the possession of that copy or phonorecord.” (Emphasis added.)

Thus, even though § 106(3) forbids distribution of a copy of, say, the copyrighted novel Herzog without the copyright owner’s permission, § 109(a) adds that, once a copy of Herzog has been lawfully sold (or its ownership otherwise lawfully transferred), the buyer of that copy and subsequent owners are free to dispose of it as they wish. In copyright jargon, the “first sale” has “exhausted” the copyright owner’s § 106(3) exclusive distribution right.

What, however, if the copy of Herzog was printed abroad and then initially sold with the copyright owner’s permission? Does the “first sale” doctrine still apply? Is the buyer, like the buyer of a domestically manufactured copy, free to bring the copy into the United States and dispose of it as he or she wishes?

To put the matter technically, an “importation” provision, § 602(a)(1), says that

“[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies ... of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies ... under section 106....” 17 U.S.C. § 602(a)(1) (2006 ed., Supp. V) (emphasis added).

Thus § 602(a)(1) makes clear that importing a copy without permission violates the owner’s exclusive distribution right. But in doing so, § 602(a)(1) refers explicitly to the § 106(3) exclusive distribution right. As we have just said, § 106 is by its terms “[s]ubject to” the various doctrines and principles contained in §§ 107 through 122, including § 109(a)’s “first sale” limitation. Do those same modifications apply—in particular, does the “first sale” modification apply—when considering whether § 602(a)(1) prohibits importing a copy?

In Quality King Distributors, Inc. v. L’anza Research Int’l, Inc., 523 U.S. 135, 145, 118 S.Ct. 1125, 140 L.Ed.2d 254 (1998), we held that § 602(a)(1)’s reference to § 106(3)’s exclusive distribution right incorporates the later subsections’ limitations, including, in particular, the “first sale” doctrine of § 109. Thus, it might seem that, § 602(a)(1) notwithstanding, one who buys a copy abroad can freely import that
copy into the United States and dispose of it, just as he could had he bought the copy in the United States.

But Quality King considered an instance in which the copy, though purchased abroad, was initially manufactured in the United States (and then sent abroad and sold). This case is like Quality King but for one important fact. The copies at issue here were manufactured abroad. That fact is important because § 109(a) says that the “first sale” doctrine applies to “a particular copy or phonorecord lawfully made under this title.” And we must decide here whether the five words, “lawfully made under this title,” make a critical legal difference.

* * * *

I

A

Respondent, John Wiley & Sons, Inc., publishes academic textbooks. Wiley obtains from its authors various foreign and domestic copyright assignments, licenses and permissions—to the point that we can, for present purposes, refer to Wiley as the relevant American copyright owner. Wiley often assigns to its wholly owned foreign subsidiary, John Wiley & Sons (Asia) Pte Ltd., rights to publish, print, and sell Wiley’s English language textbooks abroad. Each copy of a Wiley Asia foreign edition will likely contain language making clear that the copy is to be sold only in a particular country or geographical region outside the United States.

* * * *

The upshot is that there are two essentially equivalent versions of a Wiley textbook, each version manufactured and sold with Wiley’s permission: (1) an American version printed and sold in the United States, and (2) a foreign version manufactured and sold abroad. And Wiley makes certain that copies of the second version state that they are not to be taken (without permission) into the United States.

Petitioner, Supap Kirtsaeng, a citizen of Thailand, moved to the United States in 1997 to study mathematics at Cornell University. He paid for his education with the help of a Thai Government scholarship which required him to teach in Thailand for 10 years on his return.
Kirtsaeng successfully completed his undergraduate courses at Cornell, successfully completed a Ph.D. program in mathematics at the University of Southern California, and then, as promised, returned to Thailand to teach. While he was studying in the United States, Kirtsaeng asked his friends and family in Thailand to buy copies of foreign edition English-language textbooks at Thai book shops, where they sold at low prices, and mail them to him in the United States. Kirtsaeng would then sell them, reimburse his family and friends, and keep the profit.

B

In 2008 Wiley brought this federal lawsuit against Kirtsaeng for copyright infringement. [Both the District Court and a split panel of the Second Circuit held that Kirtsaeng could not assert the “first sale” defense because the copies that had been made abroad were not “lawfully made under this title” within the meaning of § 109(a) of the Copyright Act.]

II

We must decide whether the words “lawfully made under this title” restrict the scope of § 109(a)’s “first sale” doctrine geographically.

* * *

In our view, § 109(a)’s language, its context, and the common-law history of the “first sale” doctrine, taken together, favor a non-geographical interpretation. We also doubt that Congress would have intended to create the practical copyright-related harms with which a geographical interpretation would threaten ordinary scholarly, artistic, commercial, and consumer activities. . . .

A

The language of § 109(a) read literally favors Kirtsaeng’s nongeographical interpretation, namely, that “lawfully made under this title” means made “in accordance with” or “in compliance with” the Copyright Act. The language of § 109(a) says nothing about geography. The word “under” can mean “[i]n accordance with.” 18 Oxford English Dictionary 950 (2d ed.1989). See also Black’s Law Dictionary 1525 (6th ed. 1990) (“according to”). And a nongeographical interpretation provides each word of the five-word
phrase with a distinct purpose. The first two words of the phrase, “lawfully made,” suggest an effort to distinguish those copies that were made lawfully from those that were not, and the last three words, “under this title,” set forth the standard of “lawful[ness].” Thus, the nongeographical reading is simple, it promotes a traditional copyright objective (combatting piracy), and it makes word-by-word linguistic sense.

The geographical interpretation, however, bristles with linguistic difficulties. It gives the word “lawfully” little, if any, linguistic work to do. (How could a book be unlawfully “made under this title”?) It imports geography into a statutory provision that says nothing explicitly about it. And it is far more complex than may at first appear.

To read the clause geographically, Wiley, like the Second Circuit and the Solicitor General, must first emphasize the word “under.” Indeed, Wiley reads “under this title” to mean “in conformance with the Copyright Act where the Copyright Act is applicable.” Wiley must then take a second step, arguing that the Act “is applicable” only in the United States. . . .

One difficulty is that neither “under” nor any other word in the phrase means “where.” See, e.g., 18 Oxford English Dictionary, supra, at 947–952 (definition of “under”). It might mean “subject to,” see post, at ----, but as this Court has repeatedly acknowledged, the word evades a uniform, consistent meaning. See Kucana v. Holder, 558 U.S. 233, 245, 130 S.Ct. 827, 175 L.Ed.2d 694 (2010) (“‘under’ is chameleon”); Ardestani v. INS, 502 U.S. 129, 135, 112 S.Ct. 515, 116 L.Ed.2d 496 (1991) (“under” has “many dictionary definitions” and “must draw its meaning from its context”).

A far more serious difficulty arises out of the uncertainty and complexity surrounding the second step’s effort to read the necessary geographical limitation into the word “applicable” (or the equivalent). Where, precisely, is the Copyright Act “applicable”? The Act does not instantly protect an American copyright holder from unauthorized piracy taking place abroad. But that fact does not mean the Act is inapplicable to copies made abroad. As a matter of ordinary English, one can say that a statute imposing, say, a tariff upon “any rhododendron grown in Nepal” applies to all Nepalese
rhododendrons. And, similarly, one can say that the American Copyright Act is applicable to all pirated copies, including those printed overseas. Indeed, the Act itself makes clear that (in the Solicitor General’s language) foreign-printed pirated copies are “subject to” the Act. § 602(a)(2) (2006 ed., Supp. V) (referring to importation of copies “the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if this title had been applicable”); Brief for United States 5. See also post, at ——— (suggesting that “made under” may be read as “subject to”).

The appropriateness of this linguistic usage is underscored by the fact that § 104 of the Act itself says that works “subject to protection under this title” include unpublished works “without regard to the nationality or domicile of the author,” and works “first published” in any one of the nearly 180 nations that have signed a copyright treaty with the United States. §§ 104(a), (b) (2006 ed.) (emphasis added); § 101 (2006 ed., Supp. V) (defining “treaty party”); U.S. Copyright Office, Circular No. 38A, International Copyright Relations of the United States (2010). Thus, ordinary English permits us to say that the Act “applies” to an Irish manuscript lying in its author’s Dublin desk drawer as well as to an original recording of a ballet performance first made in Japan and now on display in a Kyoto art gallery.

The Ninth Circuit’s geographical interpretation produces still greater linguistic difficulty. As we said, that Circuit interprets the “first sale” doctrine to cover both (1) copies manufactured in the United States and (2) copies manufactured abroad but first sold in the United States with the American copyright owner’s permission.

We can understand why the Ninth Circuit may have thought it necessary to add the second part of its definition. As we shall later describe, without some such qualification a copyright holder could prevent a buyer from domestically reselling or even giving away copies of a video game made in Japan, a film made in Germany, or a dress (with a design copyright) made in China, even if the copyright holder has granted permission for the foreign manufacture, importation, and an initial domestic sale of the copy. A publisher such as Wiley would be free to print its books abroad, allow their importation and sale
within the United States, but prohibit students from later selling their used texts at a campus bookstore. We see no way, however, to reconcile this half-geographical/half-nongeographical interpretation with the language of the phrase, “lawfully made under this title.” As a matter of English, it would seem that those five words either do cover copies lawfully made abroad or they do not.

In sum, we believe that geographical interpretations create more linguistic problems than they resolve. And considerations of simplicity and coherence tip the purely linguistic balance in Kirtsaeng’s, nongeographical, favor.

B

Both historical and contemporary statutory context indicate that Congress, when writing the present version of § 109(a), did not have geography in mind. In respect to history, we compare § 109(a)’s present language with the language of its immediate predecessor. That predecessor said:

“[N]othing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained.” Copyright Act of 1909, § 41, 35 Stat. 1084 (emphasis added).

[The Court argues that the change to the present version of § 109(a), which conditions the first sale defense on ownership rather than possession, was due to problems with bailees and lessees claiming that defense, particularly lessees of film prints in the motion picture industry.]

... [W]e normally presume that the words “lawfully made under this title” carry the same meaning when they appear in different but related sections. Department of Revenue of Ore. v. ACF Industries, Inc., 510 U.S. 332, 342, 114 S.Ct. 843, 127 L.Ed.2d 165 (1994). But doing so here produces surprising consequences. Consider:

(1) Section 109(c) says that, despite the copyright owner’s exclusive right “to display” a copyrighted work (provided in § 106(5)), the owner of a particular copy “lawfully made under this title” may publicly display it without further authorization. To interpret these
words geographically would mean that one who buys a copyrighted work of art, a poster, or even a bumper sticker, in Canada, in Europe, in Asia, could not display it in America without the copyright owner’s further authorization.

[The Court discusses two other examples in § 109(e), concerning public performance or display of video arcade games, and § 110(1), concerning public performances during face-to-face teaching activities.]

(4) In its introductory sentence, § 106 provides the Act’s basic exclusive rights to an “owner of a copyright under this title.” The last three words cannot support a geographic interpretation.

Wiley basically accepts the first three readings, but argues that Congress intended the restrictive consequences. And it argues that context simply requires that the words of the fourth example receive a different interpretation. Leaving the fourth example to the side, we shall explain in Part II–D, infra, why we find it unlikely that Congress would have intended these, and other related consequences.

C

A relevant canon of statutory interpretation favors a nongeographical reading. “[W]hen a statute covers an issue previously governed by the common law,” we must presume that “Congress intended to retain the substance of the common law.” Samantar v. Yousuf, 560 U.S. ——, ——, n. 13, 130 S.Ct. 2278, 2289–2290, n. 13, 176 L.Ed.2d 1047 (2010). See also Isbrandtsen Co. v. Johnson, 343 U.S. 779, 783, 72 S.Ct. 1011, 96 L.Ed. 1294 (1952) (“Statutes which invade the common law ... are to be read with a presumption favoring the retention of long-established and familiar principles, except when a statutory purpose to the contrary is evident”).

The “first sale” doctrine is a common-law doctrine with an impeccable historic pedigree. [The opinion notes that Lord Coke, the preeminent 17th-Century English jurist, described and supported the first sale doctrine.]

... American law too has generally thought that competition, including freedom to resell, can work to the advantage of the
consumer. See, e.g., Leegin Creative Leather Products, Inc. v. PSKS, Inc., 551 U.S. 877, 886, 127 S.Ct. 2705, 168 L.Ed.2d 623 (2007) (restraints with “manifestly anticompetitive effects” are per se illegal; others are subject to the rule of reason (internal quotation marks omitted)); 1 P. Areeda & H. Hovenkamp, Antitrust Law ¶ 100, p. 4 (3d ed. 2006) (“[T]he principal objective of antitrust policy is to maximize consumer welfare by encouraging firms to behave competitively”).

The “first sale” doctrine also frees courts from the administrative burden of trying to enforce restrictions upon difficult-to-trace, readily movable goods. And it avoids the selective enforcement inherent in any such effort. Thus, it is not surprising that for at least a century the “first sale” doctrine has played an important role in American copyright law.

The common-law doctrine makes no geographical distinctions; nor can we find any in Bobbs–Merrill [v. Straus, 210 U.S. 339 (1908)] (where this Court first applied the “first sale” doctrine) or in § 109(a)’s predecessor provision, which Congress enacted a year later. Rather, as the Solicitor General acknowledges, “a straightforward application of Bobbs–Merrill ” would not preclude the “first sale” defense from applying to authorized copies made overseas. Brief for United States 27. And we can find no language, context, purpose, or history that would rebut a “straightforward application” of that doctrine here.

***

D

Associations of libraries, used-book dealers, technology companies, consumer-goods retailers, and museums point to various ways in which a geographical interpretation would fail to further basic constitutional copyright objectives, in particular “promot[ing] the Progress of Science and useful Arts.” U.S. Const., Art. I, § 8, cl. 8.

The American Library Association tells us that library collections contain at least 200 million books published abroad (presumably, many were first published in one of the nearly 180 copyright-treaty nations and enjoy American copyright protection under 17 U.S.C. § 104); that many others were first published in the United States but printed abroad because of lower costs; and that a geographical
interpretation will likely require the libraries to obtain permission (or at least create significant uncertainty) before circulating or otherwise distributing these books.

How, the American Library Association asks, are the libraries to obtain permission to distribute these millions of books? How can they find, say, the copyright owner of a foreign book, perhaps written decades ago? They may not know the copyright holder’s present address. And, even where addresses can be found, the costs of finding them, contacting owners, and negotiating may be high indeed. Are the libraries to stop circulating or distributing or displaying the millions of books in their collections that were printed abroad?

[The Court notes that used-book dealers expressed similar concerns about resales of books first purchased abroad.]

Technology companies tell us that “automobiles, microwaves, calculators, mobile phones, tablets, and personal computers” contain copyrightable software programs or packaging. Many of these items are made abroad with the American copyright holder’s permission and then sold and imported (with that permission) to the United States. A geographical interpretation would prevent the resale of, say, a car, without the permission of the holder of each copyright on each piece of copyrighted automobile software. Yet there is no reason to believe that foreign auto manufacturers regularly obtain this kind of permission from their software component suppliers, and Wiley did not indicate to the contrary when asked. Without that permission a foreign car owner could not sell his or her used car.

Retailers tell us that over $2.3 trillion worth of foreign goods were imported in 2011. American retailers buy many of these goods after a first sale abroad. And, many of these items bear, carry, or contain copyrighted “packaging, logos, labels, and product inserts and instructions for [the use of] everyday packaged goods from floor cleaners and health and beauty products to breakfast cereals.” The retailers add that American sales of more traditional copyrighted works, “such as books, recorded music, motion pictures, and magazines” likely amount to over $220 billion. A geographical interpretation would subject many, if not all, of them to the disruptive impact of the threat of infringement suits.
Art museum directors ask us to consider their efforts to display foreign-produced works by, say, Cy Twombly, Rene Magritte, Henri Matisse, Pablo Picasso, and others. A geographical interpretation, they say, would require the museums to obtain permission from the copyright owners before they could display the work—even if the copyright owner has already sold or donated the work to a foreign museum. What are the museums to do, they ask, if the artist retained the copyright, if the artist cannot be found, or if a group of heirs is arguing about who owns which copyright?

These examples, and others previously mentioned, help explain why Lord Coke considered the “first sale” doctrine necessary to protect “Trade and Traffic[, and bargaining and contracting],” and they help explain why American copyright law has long applied that doctrine.

***

The fact that harm [from a geographical interpretation] has proved limited so far may simply reflect the reluctance of copyright holders so far to assert geographically based resale rights. They may decide differently if the law is clarified in their favor. Regardless, a copyright law that can work in practice only if unenforced is not a sound copyright law. It is a law that would create uncertainty, would bring about selective enforcement, and, if widely unenforced, would breed disrespect for copyright law itself.

Thus, we believe that the practical problems that petitioner and his amici have described are too serious, too extensive, and too likely to come about for us to dismiss them as insignificant—particularly in light of the ever-growing importance of foreign trade to America. See The World Bank, Imports of goods and services (% of GDP) (imports in 2011 18% of U.S. gross domestic product compared to 11% in 1980), online at http://data.worldbank.org/indicator/NE.IMP.GNFS.ZS? (as visited Mar. 15, 2013, and available in Clerk of Court’s case file). The upshot is that copyright-related consequences along with language, context, and interpretive canons argue strongly against a geographical interpretation of § 109(a).

III

. . . Wiley and the dissent claim that a nongeographical
interpretation will make it difficult, perhaps impossible, for publishers (and other copyright holders) to divide foreign and domestic markets. We concede that is so. A publisher may find it more difficult to charge different prices for the same book in different geographic markets. But we do not see how these facts help Wiley, for we can find no basic principle of copyright law that suggests that publishers are especially entitled to such rights.

* * * [T]he Constitution's language nowhere suggests that its limited exclusive right should include a right to divide markets or a concomitant right to charge different purchasers different prices for the same book, say to increase or to maximize gain. Neither, to our knowledge, did any Founder make any such suggestion. We have found no precedent suggesting a legal preference for interpretations of copyright statutes that would provide for market divisions.

To the contrary, Congress enacted a copyright law that (through the “first sale” doctrine) limits copyright holders' ability to divide domestic markets. And that limitation is consistent with antitrust laws that ordinarily forbid market divisions. Cf. Palmer v. BRG of Ga., Inc., 498 U.S. 46, 49–50, 111 S.Ct. 401, 112 L.Ed.2d 349 (1990) (per curiam) (“[A]greements between competitors to allocate territories to minimize competition are illegal”). Whether copyright owners should, or should not, have more than ordinary commercial power to divide international markets is a matter for Congress to decide. We do no more here than try to determine what decision Congress has taken.

* * *

IV

For these reasons we conclude that the considerations supporting Kirtsaeng's nongeographical interpretation of the words “lawfully made under this title” are the more persuasive. The judgment of the Court of Appeals is reversed, and the case is remanded for further proceedings consistent with this opinion.

Justice KAGAN, with whom Justice ALITO joins, concurring.

I concur fully in the Court's opinion. Neither the text nor the history of 17 U.S.C. § 109(a) supports removing first-sale protection
from every copy of a protected work manufactured abroad. I recognize, however, that the combination of today’s decision and Quality King Distributors, Inc. v. L’anza Research Int’l, Inc., 523 U.S. 135, 118 S.Ct. 1125, 140 L.Ed.2d 254 (1998), constricts the scope of § 602(a)(1)’s ban on unauthorized importation. I write to suggest that any problems associated with that limitation come not from our reading of § 109(a) here, but from Quality King’s holding that § 109(a) limits § 602(a)(1).

* * * *

Here, after all, we merely construe § 109(a); Quality King is the decision holding that § 109(a) limits § 602(a)(1). Had we come out the opposite way in that case, § 602(a)(1) would allow a copyright owner to restrict the importation of copies irrespective of the first-sale doctrine. That result would enable the copyright owner to divide international markets in the way John Wiley claims Congress intended when enacting § 602(a)(1). But it would do so without imposing downstream liability on those who purchase and resell in the United States copies that happen to have been manufactured abroad. In other words, that outcome would target unauthorized importers alone, and not the “libraries, used-book dealers, technology companies, consumer-goods retailers, and museums” with whom the Court today is rightly concerned. Assuming Congress adopted § 602(a)(1) to permit market segmentation, I suspect that is how Congress thought the provision would work—not by removing first-sale protection from every copy manufactured abroad (as John Wiley urges us to do here), but by enabling the copyright holder to control imports even when the first-sale doctrine applies (as Quality King now prevents).²

² Indeed, allowing the copyright owner to restrict imports irrespective of the first-sale doctrine—i.e., reversing Quality King—would yield a far more sensible scheme of market segmentation than would adopting John Wiley’s argument here. That is because only the former approach turns on the intended market for copies; the latter rests instead on their place of manufacture. To see the difference, imagine that John Wiley prints all its textbooks in New York, but wants to distribute certain versions only in Thailand. Without Quality King, John Wiley could do so—i.e., produce books in New York, ship them to Thailand, and prevent anyone from importing them back into the United States. But with Quality King, that course is not open to
At bottom, John Wiley (together with the dissent) asks us to misconstrue § 109(a) in order to restore § 602(a)(1) to its purportedly rightful function of enabling copyright holders to segment international markets. I think John Wiley may have a point about what § 602(a)(1) was designed to do; that gives me pause about Quality King’s holding that the first-sale doctrine limits the importation ban’s scope. But the Court today correctly declines the invitation to save § 602(a)(1) from Quality King by destroying the first-sale protection that § 109(a) gives to every owner of a copy manufactured abroad. That would swap one (possible) mistake for a much worse one, and make our reading of the statute only less reflective of Congressional intent. If Congress thinks copyright owners need greater power to restrict importation and thus divide markets, a ready solution is at hand—not the one John Wiley offers in this case, but the one the Court rejected in Quality King.

Justice GINSBURG, with whom Justice KENNEDY joins, and with whom Justice SCALIA joins except as to Parts III and V–B–1, dissenting.

. . . Instead of adhering to the Legislature’s design, the Court today adopts an interpretation of the Copyright Act at odds with Congress’ aim to protect copyright owners against the unauthorized importation of low-priced, foreign-made copies of their copyrighted works. The Court’s bold departure from Congress’ design is all the more stunning, for it places the United States at the vanguard of the movement for “international exhaustion” of copyrights—a movement the United States has steadfastly resisted on the world stage.

To justify a holding that shrinks to insignificance copyright protection against the unauthorized importation of foreign-made

John Wiley even under its reading of § 109(a): To prevent someone like Kirtsaeng from re-importing the books—and so to segment the Thai market—John Wiley would have to move its printing facilities abroad. I can see no reason why Congress would have conditioned a copyright owner’s power to divide markets on outsourcing its manufacturing to a foreign country.
copies, the Court identifies several “practical problems.” Ante, at ----. The Court’s parade of horribles, however, is largely imaginary. Congress’ objective in enacting 17 U.S.C. § 602(a)(1)’s importation prohibition can be honored without generating the absurd consequences hypothesized in the Court’s opinion. I dissent from the Court’s embrace of “international exhaustion,” and would affirm the sound judgment of the Court of Appeals.

I

Because economic conditions and demand for particular goods vary across the globe, copyright owners have a financial incentive to charge different prices for copies of their works in different geographic regions. Their ability to engage in such price discrimination, however, is undermined if arbitrageurs are permitted to import copies from low-price regions and sell them in high-price regions. The question in this case is whether the unauthorized importation of foreign-made copies constitutes copyright infringement under U.S. law.

* * * *

II

The text of the Copyright Act demonstrates that Congress intended to provide copyright owners with a potent remedy against the importation of foreign-made copies of their copyrighted works. As the Court recognizes, this case turns on the meaning of the phrase “lawfully made under this title” in § 109(a). In my view, that phrase is most sensibly read as referring to instances in which a copy’s creation is governed by, and conducted in compliance with, Title 17 of the U.S.Code. This reading is consistent with the Court’s interpretation of similar language in other statutes. * * * *

Section 109(a), properly read, affords Kirtsaeng no defense against Wiley’s claim of copyright infringement. The Copyright Act, it has been observed time and again, does not apply extraterritorially. See United Dictionary Co. v. G. & C. Merriam Co., 208 U.S. 260, 264, 28 S.Ct. 290, 52 L.Ed. 478 (1908) (copyright statute requiring that U.S. copyright notices be placed in all copies of a work did not apply to copies published abroad because U.S. copyright laws have no “force” beyond the United States’ borders). The printing of Wiley’s foreign-manufactured textbooks therefore was not governed by Title
17. The textbooks thus were not “lawfully made under [Title 17],” the crucial precondition for application of § 109(a). And if § 109(a) does not apply, there is no dispute that Kirtsaeng’s conduct constituted copyright infringement under § 602(a)(1).

The Court’s point of departure is similar to mine. According to the Court, the phrase “‘lawfully made under this title’ means made ‘in accordance with’ or ‘in compliance with’ the Copyright Act.” Ante, at -----. But the Court overlooks that, according to the very dictionaries it cites, the word “under” commonly signals a relationship of subjection, where one thing is governed or regulated by another. . . . Only by disregarding this established meaning of “under” can the Court arrive at the conclusion that Wiley’s foreign-manufactured textbooks were “lawfully made under” U.S. copyright law, even though that law did not govern their creation. It is anomalous, however, to speak of particular conduct as “lawful” under an inapplicable law. For example, one might say that driving on the right side of the road in England is “lawful” under U.S. law, but that would be so only because U.S. law has nothing to say about the subject. The governing law is English law, and English law demands that driving be done on the left side of the road.4

The logical implication of the Court’s definition of the word “under” is that any copy manufactured abroad—even a piratical one made without the copyright owner’s authorization and in violation of the law of the country where it was created—would fall within the scope of § 109(a). Any such copy would have been made “in accordance with” or “in compliance with” the U.S. Copyright Act, in

4 The Court asserts that my position gives the word “lawfully” in § 109(a) “little, if any, linguistic work to do.” Ante, at -----. That is not so. My reading gives meaning to each word in the phrase “lawfully made under this title.” The word “made” signifies that the conduct at issue is the creation or manufacture of a copy. See Webster’s Third New International Dictionary 1356 (1961) (defining “made” as “artificially produced by a manufacturing process”). The word “lawfully” indicates that for § 109(a) to apply, the copy’s creation must have complied with some body of law. Finally, the prepositional phrase “under this title” clarifies what that body of law is—namely, the copyright prescriptions contained in Title 17 of the U.S.Code.
the sense that manufacturing the copy did not violate the Act (because the Act does not apply extraterritorially).

The Court rightly refuses to accept such an absurd conclusion. Instead, it interprets § 109(a) as applying only to copies whose making actually complied with Title 17, or would have complied with Title 17 had Title 17 been applicable (i.e., had the copies been made in the United States). See ante, at ---- ("§ 109(a)’s ‘first sale’ doctrine would apply to copyrighted works as long as their manufacture met the requirements of American copyright law."). Congress, however, used express language when it called for such a counterfactual inquiry in 17 U.S.C. §§ 602(a)(2) and (b). See § 602(a)(2) ("Importation into the United States or exportation from the United States, without the authority of the owner of copyright under this title, of copies or phonorecords, the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if this title had been applicable, is an infringement of the exclusive right to distribute copies or phonorecords under section 106." (emphasis added)); § 602(b) ("In a case where the making of the copies or phonorecords would have constituted an infringement of copyright if this title had been applicable, their importation is prohibited." (emphasis added)). Had Congress intended courts to engage in a similarly hypothetical inquiry under § 109(a), Congress would presumably have included similar language in that section. . . .

Not only does the Court adopt an unnatural construction of the § 109(a) phrase “lawfully made under this title.” Concomitantly, the Court reduces § 602(a)(1) to insignificance. As the Court appears to acknowledge, the only independent effect § 602(a)(1) has under today’s decision is to prohibit unauthorized importations carried out by persons who merely have possession of, but do not own, the imported copies. See 17 U.S.C. § 109(a) (§ 109(a) applies to any “owner of a particular copy or phonorecord lawfully made under this title” (emphasis added)) If this is enough to avoid rendering § 602(a)(1) entirely “superfluous,” it hardly suffices to give the owner’s importation right the scope Congress intended it to have. Congress used broad language in § 602(a)(1); it did so to achieve a broad objective. Had Congress intended simply to provide a copyright remedy against larcenous lessees, licensees, consignees, and bailees of
films and other copyright-protected goods, it would have used language tailored to that narrow purpose.

The Court's decision also overwhelms 17 U.S.C. § 602(a)(3)'s exceptions to § 602(a)(1)'s importation prohibition. Those exceptions permit the importation of copies without the copyright owner's authorization for certain governmental, personal, scholarly, educational, and religious purposes. 17 U.S.C. § 602(a)(3). Copies imported under these exceptions “will often be lawfully made gray market goods purchased through normal market channels abroad.” 2 [P. Goldstein, Copyright] § 7.6.1.2(a), at 7:141 [(3rd ed. 2012)]. But if, as the Court holds, such copies can in any event be imported by virtue of § 109(a), § 602(a)(3)'s work has already been done. For example, had Congress conceived of § 109(a)'s sweep as the Court does, what earthly reason would there be to provide, as Congress did in § 602(a)(3)(C), that a library may import “no more than five copies” of a non-audiovisual work for its “lending or archival purposes”?

The far more plausible reading of §§ 109(a) and 602(a), then, is that Congress intended § 109(a) to apply to copies made in the United States, not to copies manufactured and sold abroad. That reading of the first sale and importation provisions leaves § 602(a)(3)'s exceptions with real, meaningful work to do. In the range of circumstances covered by the exceptions, § 602(a)(3) frees individuals and entities who purchase foreign-made copies abroad from the requirement they would otherwise face under § 602(a)(1) of obtaining the copyright owner’s permission to import the copies into the United States.10

* * * *

IV

Unlike the Court's holding, my position is consistent with the

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10 The Court asserts that its reading of § 109(a) is bolstered by § 104, which extends the copyright “protection[s]” of Title 17 to a wide variety of foreign works. See ante, at ---- - -----. The “protection under this title” afforded by § 104, however, is merely protection against infringing conduct within the United States, the only place where Title 17 applies. See 4 W. Patry, Copyright § 13:44.10, pp. 13–128 to 13–129 (2012) (hereinafter Patry). Thus, my reading of the phrase “under this title” in § 109(a) is consistent with Congress' use of that phrase in § 104.
stance the United States has taken in international-trade negotiations. This case bears on the highly contentious trade issue of interterritorial exhaustion. The issue arises because intellectual property law is territorial in nature, see supra, at ----, which means that creators of intellectual property “may hold a set of parallel” intellectual property rights under the laws of different nations. There is no international consensus on whether the sale in one country of a good incorporating protected intellectual property exhausts the intellectual property owner’s right to control the distribution of that good elsewhere. Indeed, the members of the World Trade Organization, “agreeing to disagree,” provided in Article 6 of the Agreement on Trade–Related Aspects of Intellectual Property Rights (TRIPS), Apr. 15, 1994, 33 I.L.M. 1197, 1200, that “nothing in this Agreement shall be used to address the issue of ... exhaustion.”

In the absence of agreement at the international level, each country has been left to choose for itself the exhaustion framework it will follow. One option is a national-exhaustion regime, under which a copyright owner’s right to control distribution of a particular copy is exhausted only within the country in which the copy is sold. Another option is a rule of international exhaustion, under which the authorized distribution of a particular copy anywhere in the world exhausts the copyright owner’s distribution right everywhere with respect to that copy. The European Union has adopted the intermediate approach of regional exhaustion, under which the sale of a copy anywhere within the European Economic Area exhausts the copyright owner’s distribution right throughout that region. Section 602(a)(1), in my view, ties the United States to a national-exhaustion framework. The Court’s decision, in contrast, places the United States solidly in the international-exhaustion camp.

Strong arguments have been made both in favor of, and in opposition to, international exhaustion. International exhaustion subjects copyright-protected goods to competition from lower priced imports and, to that extent, benefits consumers. Correspondingly, copyright owners profit from a national-exhaustion regime, which also enlarges the monetary incentive to create new copyrightable works.
Weighing the competing policy concerns, our Government reached the conclusion that widespread adoption of the international-exhaustion framework would be inconsistent with the long-term economic interests of the United States. See Brief for United States as Amicus Curiae in Quality King, O.T.1997, No. 96–1470, pp. 22–26 (hereinafter Quality King Brief). Accordingly, the United States has steadfastly “taken the position in international trade negotiations that domestic copyright owners should ... have the right to prevent the unauthorized importation of copies of their work sold abroad.” Id., at 22. The United States has “advanced this position in multilateral trade negotiations,” including the negotiations on the TRIPS Agreement. Id., at 24. . . .

Even if the text and history of the Copyright Act were ambiguous on the answer to the question this case presents—which they are not, see Parts II–III, supra—I would resist a holding out of accord with the firm position the United States has taken on exhaustion in international negotiations. . . . While the Government has urged our trading partners to refrain from adopting international-exhaustion regimes that could benefit consumers within their borders but would impact adversely on intellectual-property producers in the United States, the Court embraces an international-exhaustion rule that could benefit U.S. consumers but would likely disadvantage foreign holders of U.S. copyrights. This dissonance scarcely enhances the United States' “role as a trusted partner in multilateral endeavors.” Vimar Seguros y Reaseguros, S.A. v. M/V Sky Reefer, 515 U.S. 528, 539, 115 S.Ct. 2322, 132 L.Ed.2d 462 (1995).

V

I turn now to the Court’s justifications for a decision difficult to reconcile with the Copyright Act’s text and history.

A

The Court asserts that its holding “is consistent with antitrust laws that ordinarily forbid market divisions.” Section 602(a)(1), however, read as I do and as the Government does, simply facilitates copyright owners' efforts to impose “vertical restraints” on distributors of copies of their works. * * * We have held that vertical restraints are not per se illegal under § 1 of the Sherman Act, 15 U.S.C.
§ 1, because such “restraints can have procompetitive effects.” 551 U.S., at 881–882, 127 S.Ct. 2705.17

B

The Court sees many “horribles” following from a holding that the § 109(a) phrase “lawfully made under this title” does not encompass foreign-made copies. If § 109(a) excluded foreign-made copies, the Court fears, then copyright owners could exercise perpetual control over the downstream distribution or public display of such copies. A ruling in Wiley’s favor, the Court asserts, would shutter libraries, put used-book dealers out of business, cripple art museums, and prevent the resale of a wide range of consumer goods, from cars to calculators. Copyright law and precedent, however, erect barriers to the anticipated horribles.

1

Recognizing that foreign-made copies fall outside the ambit of § 109(a) would not mean they are forever free of the first sale doctrine. As earlier observed, the Court stated that doctrine initially in its 1908 Bobbs–Merrill decision. At that time, no statutory provision expressly codified the first sale doctrine. Instead, copyright law merely provided that copyright owners had “the sole liberty of printing, reprinting, publishing, completing, copying, executing, finishing, and vending” their works. Copyright Act of 1891, § 1, 26 Stat. 1107.

In Bobbs–Merrill, the Court addressed the scope of the statutory

17 Despite the Court’s suggestion to the contrary, this case in no way implicates the per se antitrust prohibition against horizontal “[a]greements between competitors to allocate territories to minimize competition.” Ante, at —— (quoting Palmer v. BRG of Ga., Inc., 498 U.S. 46, 49, 111 S.Ct. 401, 112 L.Ed.2d 349 (1990) (per curiam)). Wiley is not requesting authority to enter into collusive agreements with other textbook publishers that would, for example, make Wiley the exclusive supplier of textbooks on particular subjects within particular geographic regions. Instead, Wiley asserts no more than the prerogative to impose vertical restraints on the distribution of its own textbooks. See Hovenkamp, Post–Sale Restraints and Competitive Harm: The First Sale Doctrine in Perspective, 66 N.Y.U. Ann. Survey Am. L. 487, 488 (2011) (“vertical restraints” include “limits [on] the way a seller’s own product can be distributed”).
right to “ven[d].” In granting that right, the Court held, Congress did not intend to permit copyright owners “to fasten ... a restriction upon the subsequent alienation of the subject-matter of copyright after the owner had parted with the title to one who had acquired full dominion over it and had given a satisfactory price for it.” 210 U.S., at 349–350, 28 S.Ct. 722. “[O]ne who has sold a copyrighted article ... without restriction,” the Court explained, “has parted with all right to control the sale of it.” Id., at 350, 28 S.Ct. 722. Thus, “[t]he purchaser of a book, once sold by authority of the owner of the copyright, may sell it again, although he could not publish a new edition of it.” Ibid.

Under the logic of Bobbs–Merrill, the sale of a foreign-manufactured copy in the United States carried out with the copyright owner’s authorization would exhaust the copyright owner’s right to “vend” that copy. The copy could thenceforth be resold, lent out, or otherwise redistributed without further authorization from the copyright owner. Although § 106(3) uses the word “distribute” rather than “vend,” there is no reason to think Congress intended the word “distribute” to bear a meaning different from the construction the Court gave to the word “vend” in Bobbs–Merrill. See ibid. (emphasizing that the question before the Court was “purely [one] of statutory construction”). Thus, in accord with Bobbs–Merrill, the first authorized distribution of a foreign-made copy in the United States exhausts the copyright owner’s distribution right under § 106(3). After such an authorized distribution, a library may lend, or a used-book dealer may resell, the foreign-made copy without seeking the copyright owner’s permission.

****

This line of reasoning, it must be acknowledged, significantly curtails the independent effect of § 109(a). If, as I maintain, the term “distribute” in § 106(3) incorporates the first sale doctrine by virtue of Bobbs–Merrill, then § 109(a)’s codification of that doctrine adds little to the regulatory regime. Section 109(a), however, does serve as a statutory bulwark against courts deviating from Bobbs–Merrill in a way that increases copyright owners’ control over downstream distribution, and legislative history indicates that is precisely the role Congress intended § 109(a) to play. Congress first codified the first sale doctrine in § 41 of the Copyright Act of 1909, 35 Stat. 1084. It did
so, the House Committee Report on the 1909 Act explains, “in order to make ... clear that [Congress had] no intention [of] enlarg[ing] in any way the construction to be given to the word ‘vend.’” H.R.Rep. No. 2222, 60th Cong., 2d Sess., 19 (1909). According to the Committee Report, § 41 was “not intended to change [existing law] in any way.” Ibid. The position I have stated and explained accords with this expression of congressional intent. In enacting § 41 and its successors, I would hold, Congress did not “change ... existing law,” ibid., by stripping the word “vend” (and thus its substitute “distribute”) of the limiting construction imposed in Bobbs–Merrill.

* * * *

Other statutory prescriptions provide further protection against the absurd consequences imagined by the Court. For example, § 602(a)(3)(C) permits “an organization operated for scholarly, educational, or religious purposes” to import, without the copyright owner’s authorization, up to five foreign-made copies of a non-audiovisual work—notably, a book—for “library lending or archival purposes.”

The Court also notes that amici representing art museums fear that a ruling in Wiley’s favor would prevent museums from displaying works of art created abroad. Ante, at ---- (citing Brief for Association of Art Museum Directors et al.). These amici observe that a museum’s right to display works of art often depends on 17 U.S.C. § 109(c). See Brief for Association of Art Museum Directors et al. 11–13. That provision addresses exhaustion of a copyright owner’s exclusive right under § 106(5) to publicly display the owner’s work. Because § 109(c), like § 109(a), applies only to copies “lawfully made under this title,” amici contend that a ruling in Wiley’s favor would prevent museums from invoking § 109(c) with respect to foreign-made works of art. Id., at 11–13.

Limiting § 109(c) to U.S.-made works, however, does not bar art museums from lawfully displaying works made in other countries. Museums can, of course, seek the copyright owner’s permission to display a work. Furthermore, the sale of a work of art to a U.S. museum may carry with it an implied license to publicly display the
work. See 2 Patry § 5:131, at 5–280 (“[C]ourts have noted the potential availability of an implied nonexclusive license when the circumstances ... demonstrate that the parties intended that the work would be used for a specific purpose.”). Displaying a work of art as part of a museum exhibition might also qualify as a “fair use” under 17 U.S.C. § 107. Cf. Bouchat v. Baltimore Ravens Ltd. Partnership, 619 F.3d 301, 313–316 (C.A.4 2010) (display of copyrighted logo in museum-like exhibition constituted “fair use”).

The Court worries about the resale of foreign-made consumer goods “contain[ing] copyrightable software programs or packaging.” Ante, at ----. . . . Although this question strays far from the one presented in this case and briefed by the parties, principles of fair use and implied license (to the extent that express licenses do not exist) would likely permit [such goods as cars] to be resold without the copyright owners’ authorization.

Most telling in this regard, no court, it appears, has been called upon to answer any of the Court’s “horribles” in an actual case. Three decades have passed since a federal court first published an opinion reading § 109(a) as applicable exclusively to copies made in the United States. See Columbia Broadcasting System, Inc. v. Scorpio Music Distributors, Inc., 569 F.Supp. 47, 49 (E.D.Pa.1983), summarily aff’d, 738 F.2d 424 (C.A.3 1984) (table). Yet Kirtsaeng and his supporting amici cite not a single case in which the owner of a consumer good authorized for sale in the United States has been sued for copyright infringement after reselling the item or giving it away as a gift or to charity. The absence of such lawsuits is unsurprising. Routinely suing one’s customers is hardly a best business practice. Manufacturers, moreover, may be hesitant to do business with software programmers taken to suing consumers. Manufacturers may also insist that software programmers agree to contract terms barring such lawsuits.

The Court provides a different explanation for the absence of the untoward consequences predicted in its opinion—namely, that lower court decisions regarding the scope of § 109(a)’s first sale prescription have not been uniform. Uncertainty generated by these conflicting decisions, the Court notes, may have deterred some copyright owners from pressing infringement claims. But if, as the Court suggests, there
are a multitude of copyright owners champing at the bit to bring lawsuits against libraries, art museums, and consumers in an effort to exercise perpetual control over the downstream distribution and public display of foreign-made copies, might one not expect that at least a handful of such lawsuits would have been filed over the past 30 years? The absence of such suits indicates that the “practical problems” hypothesized by the Court are greatly exaggerated.27

VI

To recapitulate, the objective of statutory interpretation is “to give effect to the intent of Congress.” American Trucking Assns., 310 U.S., at 542, 60 S.Ct. 1059. Here, two congressional aims are evident. First, in enacting § 602(a)(1), Congress intended to grant copyright owners permission to segment international markets by barring the importation of foreign-made copies into the United States. Second, as codification of the first sale doctrine underscores, Congress did not want the exclusive distribution right conferred in § 106(3) to be boundless. Instead of harmonizing these objectives, the Court subordinates the first entirely to the second.

Rather than adopting the very international-exhaustion rule the United States has consistently resisted in international-trade negotiations, I would adhere to the national-exhaustion framework set by the Copyright Act’s text and history. Under that regime, codified in § 602(a)(1), Kirtsaeng’s unauthorized importation of the

27 It should not be overlooked that the ability to prevent importation of foreign-made copies encourages copyright owners such as Wiley to offer copies of their works at reduced prices to consumers in less developed countries who might otherwise be unable to afford them. The Court’s holding, however, prevents copyright owners from barring the importation of such low-priced copies into the United States, where they will compete with the higher priced editions copyright owners make available for sale in this country. To protect their profit margins in the U.S. market, copyright owners may raise prices in less developed countries or may withdraw from such markets altogether. . . . Such an outcome would disserve consumers—and especially students—in developing nations and would hardly advance the “American foreign policy goals” of supporting education and economic development in such countries.
foreign-made textbooks involved in this case infringed Wiley’s copyrights. I would therefore affirm the Second Circuit’s judgment.

Notes

1. **Statutory Interpretation Tangles.** The positions of the majority and the dissent both seem strained, don’t they? The majority can only reach its conclusion by reading the importation provisions of § 602(a) to apply only to those importers who happen not to own the copies they are importing, a reading that hardly makes sense of the specific exceptions in that section, like the exception allowing certain organizations to import up to five foreign-made copies of a non-audiovisual work for “library lending or archival purposes.” Meanwhile, the dissent has to argue that the common-law first sale doctrine continues to exist alongside the statutory first-sale doctrine in § 109, rendering the latter largely superfluous. One might think that the least tangled reading is that advanced by Justice Kagan in her concurrence, under which § 109 would be read to create separate liability for the act of unauthorized importation.

The *Quality King* Court, however, rejected that reading in part because it feared another tangle: if § 602(a) was not subject to the limitations in §§ 107 to 122, then § 602(a) would be violated even by importing very brief quotations from copyrighted works, since the § 107 fair use doctrine, which normally would shield such uses from liability, would not apply to acts of importation under § 602(a). See *Quality King Distributors, Inc. v. L’anza Research Intl, Inc.*, 523 U.S. 135, 150-51 (1998) (“Under L’anza’s interpretation of the Act, it presumably would be unlawful for a distributor to import copies of a British newspaper that contained a book review quoting excerpts from an American novel protected by a United States copyright.”) Is there any way out of that tangle, or do these juxtaposed sections inevitably require serious judicial patching?

2. **Copyright Minimalism and Maximalism.** In Chapter One, see *supra* p. 12, we introduced a school of thought sometimes called “copyright minimalism,” which takes the position that due to the
drawbacks of granting exclusive rights, we should only grant authors just enough rights to induce creation of their works and no more. Its opposite, “copyright maximalism,” is less sceptical of exclusive rights, and emphasizes their benefits as long as transaction costs are kept low. Can you find “minimalist” and “maximalist” tendencies come to the surface in positions expressed or attributed to Congress in the majority and dissenting opinions?

There may be many reasons why a copyright owner would like to keep copies intended for one market from reaching another market, but perhaps most frequently the reason is price discrimination: the copyright owner believes that the profit-maximizing price in one country is higher than that in another country, and does not want its price in the higher-price country undercut by imports from the lower-price country. Writing for the Court, Justice Breyer states: “We can find no basic principle of copyright law that suggests that publishers are especially entitled to [charge different prices for the same work in different markets].” However, that hardly ends debate over whether price discrimination in relation to copyrighted works is a good thing or a bad thing.

How would you evaluate the following two arguments? (1) Price discrimination is bad because it reduces consumer surplus: it forces each consumer to pay closer to the maximum he would pay for a copyrighted work, and thus gives more of the benefits from the sale of the work to the producer. (2) Price discrimination is good because it reduces the deadweight loss caused by having to set a single price. If a copyright owner has to set a single price for copies of a work, it will probably be set high enough that many people who would have paid more than the marginal cost of making another copy of the work will not pay the price that the copyright owner has set. The resultant loss in access to the work can be avoided through effective price discrimination. How much does your evaluation of these arguments depend upon whether the difference in prices that consumers are willing to pay results from their relative wealth or poverty, or rather from their differing
4. Versioning as a Response to International Exhaustion in Copyright. In response to an international exhaustion rule, copyright owners may take measures to partially preserve their ability to price discriminate between national markets. One strategy is “versioning”—publishing different versions of works in different national markets, which may be of different quality or be incompatible in various ways. The District Court opinion in Kirtsaeng reveals that John Wiley & Sons was already using this strategy: “U.S. editions, authorized for sale in the U.S., are ‘of the highest quality . . . generally printed with strong, hard-cover bindings with glossy protective coatings,’ and are often supplemented with CD-ROMs, access to educational websites, and study guides. The foreign editions . . . ‘materially differ from the United States editions . . . [with] thinner paper and different bindings . . . fewer internal ink colors, if any, lower quality photographs and graphics, . . . and often lack academic supplements . . . .’” John Wiley & Sons, Inc. v. Kirtsaeng, 2009 WL 3364037, *1 (S.D.N.Y). One could also imagine deliberate changes introduced to render the versions less compatible, such as different pagination or rephrased chapter headings. Under current U.S. trademark law, a U.S. trademark owner can bar importation of a foreign version of an item bearing its mark that is materially different from the U.S. version. See, e.g., Original Appalachian Artworks, Inc. v. Granada Electronics, Inc., 816 F.2d 68 (2d Cir. 1987), cert. denied, 484 U.S. 847 (1987); Lever Bros. Co. v. United States, 877 F.2d 101 (D.C. Cir. 1989); Martin’s Herend Imports, Inc. v. Diamond &
Gem Trading USA Co., 112 F.3d 1296 (5th Cir. 1997). Suppose that copyright owners are able to maintain price discrimination across national markets in the face of an international exhaustion rule by engaging in versioning, and in some cases using trademark law to prevent importation. Would that change your assessment of the desirability of such a rule?

5. Technical Measures as Another Response. Copyright owners may also resort to technical measures to control distribution of copyrighted works between different geographical regions. For example, the DVD Copy Control Association administers a regional playback control system, under which many DVDs are encoded with regional codes that allow them to be played only on DVD players that have the same regional code. For example, DVDs encoded as Region 3 are intended for use in Southeast Asia; they will not play on DVD players encoded as Region 1, which covers the United States and Canada. The DVD Copy Control Association divides the world into six regions. The Blu-Ray Disc Association has also developed a regional coding standard for Blu-Ray discs, but that standard divides the world up into only three regions. A number of video game formats also have regional coding systems. Although these coding systems are not enforced through the § 106 distribution right, they are technical protection measures protected under § 1201 of the Copyright Act, which means that hacking past them to play a DVD or game on an unauthorized player is illegal.

If Internet distribution is involved, geolocation technologies can also help copyright owners impose geographic limitations. Databases are available that can estimate the location of an Internet user from the Internet Protocol address or WiFi hotspot she is using, and the user can be granted or denied access on the basis of that estimated location.
6. Divergent Exhaustion Regimes and Competitive Positions. As Justice Ginsburg notes in her dissent, the European Union has adopted a regional exhaustion scheme with respect to copyright (and patent and trademark as well). Suppose that a UK publisher that makes the bulk of its sales in the UK, and a U.S. publisher that makes the bulk of its sales in the U.S., both decide that they would like to enter the market for science textbooks in India. Which one of them is going to have a more difficult time lowering their prices in India without undercutting its domestic market?

D. Music and the First Three Exclusive Rights

2. Section 114(b) and Sampling

p. 843 – substitute for the fourth sentence in the second paragraph:

The Harry Fox Agency, which was long a subsidiary of the National Music Publishers Association, was acquired in September of 2015 by SESAC, a relatively small performing rights organization. We will discuss the role of performing rights organizations in greater detail in Chapter 12, Part D. We note in passing at this point, however, that this acquisition will enable SESAC to offer a bundle of rights covering both reproductions and performances, which are often simultaneously implicated by the business models of various digital services.

pp. 857-867 – replace the opinion in Bridgeport Music, Inc. v. Dimension Films and the notes following that opinion with the following:

VMG Salsoul, LLC v. Ciccone

United States Court of Appeals for the Ninth Circuit
2016 WL 3090780

GRABER, Circuit Judge:

... In the early 1980s, [Shep] Pettibone recorded the song Ooh I Love It (Love Break), which we refer to as Love Break. In 1990, Madonna [Louise Ciccone] and Pettibone recorded the song Vogue, which would become a mega-hit dance song after its release on Madonna's albums. Plaintiff
[VMG Salsoul, Inc.] alleges that, when recording *Vogue*, Pettibone “sampled” certain sounds from the recording of *Love Break* and added those sounds to *Vogue*. “Sampling” in this context means the actual physical copying of sounds from an existing recording for use in a new recording, even if accomplished with slight modifications such as changes to pitch or tempo. See *Newton v. Diamond*, 388 F.3d 1189, 1192 (9th Cir. 2004) (discussing the term “sampling”).

Plaintiff asserts that it holds copyrights to the composition and to the sound recording of *Love Break*. Plaintiff argues that, because *Vogue* contains sampled material from *Love Break*, Defendants have violated both copyrights. Although Plaintiff originally asserted improper sampling of strings, vocals, congas, “vibraslap,” and horns from *Love Break* as well as another song, Plaintiff now asserts a sole theory of infringement: When creating two commercial versions of *Vogue*, Pettibone sampled a “horn hit”† from *Love Break*, violating Plaintiff’s copyrights to both the composition and the sound recording of *Love Break*.

[Ed. Note: our edited version of this opinion contains only the opinion’s discussion of infringement of the sound recording.]

A. Application of the De Minimis Exception

A “use is de minimis only if the average audience would not recognize the appropriation.” *Newton*, 388 F.3d at 1193; *id.* at 1196 (affirming the grant of summary judgment because “an average audience would not discern Newton’s hand as a composer ... from Beastie Boys’ use of the sample”); *Fisher v. Dees*, 794 F.2d 432, 435 n.2 (9th Cir. 1986) (“As a rule, a taking is considered de minimis only if it is so meager and fragmentary that the average audience would not recognize the appropriation.”); see also *Dymow v. Bolton*, 11 F.2d 690, 692 (2d Cir. 1926) (“[C]opying which is infringement must be something which ordinary observations would cause to be recognized as having been taken from
the work of another.” (internal quotation marks omitted)). Accordingly, we must determine whether a reasonable juror could conclude that the average audience would recognize the appropriation.

* * * *

When considering a claimed infringement of a copyrighted sound recording, what matters is how the musicians played the notes, that is, how their rendition distinguishes the recording from a generic rendition of the same composition. See Newton, 388 F.3d at 1193 (describing the protected elements of a copyrighted sound recording as “the elements unique to [the musician’s] performance”). Viewing the evidence in the light most favorable to Plaintiff, by accepting its experts’ reports, Pettibone sampled one single horn hit, which occurred at 3:35 in Love Break. Pettibone then used that sampled single horn hit to create the double horn hit used in Vogue.

The horn hit itself was not copied precisely. According to Plaintiff’s expert, the chord “was modified by transposing it upward, cleaning up the attack slightly in order to make it punchier [by truncating the horn hit] and overlaying it with other sounds and effects. One such effect mimicked the reverse cymbal crash.... The reverb/delay ‘tail’ ... was prolonged and heightened.” Moreover, as with the composition, the horn hits are not isolated sounds. Many other instruments are playing at the same time in both Love Break and Vogue.

In sum, viewing the evidence in the light most favorable to Plaintiff, Pettibone copied one quarter-note of a four-note chord, lasting 0.23 seconds; he isolated the horns by filtering out the other instruments playing at the same time; he transposed it to a different key; he truncated it; and he added effects and other sounds to the chord itself. For the double horn hit, he used the same process, except that he duplicated the single horn hit and shortened one of the duplicates to create the eighth-note chord from the quarter-note chord. Finally, he overlaid the resulting horn hits with sounds from many other instruments to create the song Vogue.
After listening to the audio recordings submitted by the parties, we conclude that a reasonable juror could not conclude that an average audience would recognize the appropriation of the horn hit. That common-sense conclusion is borne out by dry analysis. The horn hit is very short—less than a second. The horn hit occurs only a few times in Vogue. Without careful attention, the horn hits are easy to miss. Moreover, the horn hits in Vogue do not sound identical to the horn hits from Love Break. As noted above, assuming that the sampling occurred, Pettibone truncated the horn hit, transposed it to a different key, and added other sounds and effects to the horn hit itself. The horn hit then was added to Vogue along with many other instrument tracks. Even if one grants the dubious proposition that a listener recognized some similarities between the horn hits in the two songs, it is hard to imagine that he or she would conclude that sampling had occurred.

* * * *

B. The De Minimis Exception and Sound Recordings

Plaintiff argues, in the alternative, that even if the copying here is trivial, that fact is irrelevant because the de minimis exception does not apply to infringements of copyrighted sound recordings. Plaintiff urges us to follow the Sixth Circuit’s decision in Bridgeport Music, Inc. v. Dimension Films, 410 F.3d 792 (6th Cir. 2005), which adopted a bright-line rule: For copyrighted sound recordings, any unauthorized copying—no matter how trivial—constitutes infringement.

The rule that infringement occurs only when a substantial portion is copied is firmly established in the law. The leading copyright treatise traces the rule to the mid-1800s. 4 Melville B. Nimmer & David Nimmer, Nimmer on Copyright § 13.03[A][2][a], at 13-56 to 13-57, 13-57 n.102 (2013) (citing Folsom v. Marsh, 9 F.Cas. 342, No. 4901 (C.C. Mass. 1841)); id. § 13.03[E] [2], at 13-100 & n.208 (citing Daly v. Palmer, 6 F.Cas. 1132, No. 3,552 (C.C.S.D.N.Y. 1868)) . . . . The reason for the rule is that the “plaintiff’s legally protected interest [is] the potential financial return from his compositions which derive from the lay public’s approbation of his efforts.” Krofft, 562 F.2d at 1165 (quoting
Arnstein v. Porter, 154 F.2d 464, 473 (2d Cir. 1946)). If the public does not recognize the appropriation, then the copier has not benefitted from the original artist’s expressive content. Accordingly, there is no infringement.

Other than Bridgeport and the district courts following that decision, we are aware of no case that has held that the de minimis doctrine does not apply in a copyright infringement case. Instead, courts consistently have applied the rule in all cases alleging copyright infringement. Indeed, we stated in dictum in Newton that the rule “applies throughout the law of copyright, including cases of music sampling.” 388 F.3d at 1195 (emphasis added).

Plaintiff nevertheless argues that Congress intended to create a special rule for copyrighted sound recordings, eliminating the de minimis exception.

. . . Plaintiff’s statutory argument hinges on the third sentence of 17 U.S.C. § 114(b), which states:

The exclusive rights of the owner of copyright in a sound recording under clauses (1) and (2) of section 106 do not extend to the making or duplication of another sound recording that consists entirely of an independent fixation of other sounds, even though such sounds imitate or simulate those in the copyrighted sound recording.

Like all the other sentences in § 114(b), the third sentence imposes an express limitation on the rights of a copyright holder: “The exclusive rights of the owner of a copyright in a sound recording ... do not extend to the making or duplication of another sound recording [with certain qualities].” Id. (emphasis added); see id. (first sentence: “exclusive rights ... do not extend” to certain circumstances; second sentence: “exclusive rights ... do not extend” to certain circumstances; fourth sentence: “exclusive rights ... do not apply” in certain circumstances). We ordinarily would hesitate to read an implicit expansion of rights into
Congress’ statement of an express limitation on rights. Given the considerable background of consistent application of the de minimis exception across centuries of jurisprudence, we are particularly hesitant to read the statutory text as an unstated, implicit elimination of that steadfast rule.

A straightforward reading of the third sentence in § 114(b) reveals Congress’ intended limitation on the rights of a sound recording copyright holder: A new recording that mimics the copyrighted recording is not an infringement, even if the mimicking is very well done, so long as there was no actual copying. That is, if a band played and recorded its own version of Love Break in a way that sounded very similar to the copyrighted recording of Love Break, then there would be no infringement so long as there was no actual copying of the recorded Love Break. But the quoted passage does not speak to the question that we face: whether Congress intended to eliminate the longstanding de minimis exception for sound recordings in all circumstances even where, as here, the new sound recording as a whole sounds nothing like the original.

Even if there were some ambiguity as to congressional intent with respect to § 114(b), the legislative history clearly confirms our analysis on each of the above points. . . .

With respect to § 114(b) specifically, a House Report stated:

Subsection (b) of section 114 makes clear that statutory protection for sound recordings extends only to the particular sounds of which the recording consists, and would not prevent a separate recording of another performance in which those sounds are imitated. Thus, infringement takes place whenever all or any substantial portion of the actual sounds that go to make up a copyrighted sound recording are reproduced in phonorecords by repressing, transcribing, recapturing off the air, or any other method, or by reproducing them in the soundtrack or audio portion of a motion picture or other audiovisual work. Mere imitation of a recorded performance
would not constitute a copyright infringement even where one performer deliberately sets out to simulate another’s performance as exactly as possible.

_Id._ at 106, _reprinted in_ 1976 U.S.C.C.A.N. at 5721 (emphasis added). That passage strongly supports the natural reading of § 114(b), discussed above. Congress intended to make clear that imitation of a recorded performance cannot be infringement so long as no actual copying is done. There is no indication that Congress intended, through § 114(b), to expand the rights of a copyright holder to a sound recording.

Perhaps more importantly, the quoted passage articulates the principle that “infringement takes place whenever all or any substantial portion of the actual sounds ... are reproduced.” _Id._ (emphasis added). That is, when enacting this specific statutory provision, Congress clearly understood that the de minimis exception applies to copyrighted sound recordings, just as it applies to all other copyrighted works. In sum, the statutory text, confirmed by the legislative history, reveals that Congress intended to maintain the de minimis exception for copyrighted sound recordings.

In coming to a different conclusion, the Sixth Circuit reasoned as follows:

[T]he rights of sound recording copyright holders under clauses (1) and (2) of section 106 “do not extend to the making or duplication of another sound recording that consists entirely of an independent fixation of other sounds, even though such sounds imitate or simulate those in the copyrighted sound recording.” 17 U.S.C. § 114(b) (emphasis added). The significance of this provision is amplified by the fact that the Copyright Act of 1976 added the word “entirely” to this language. _Compare_ Sound Recording Act of 1971, Pub. L. 92-140, 85 Stat. 391 (Oct. 15, 1971) (adding subsection (f) to former 17 U.S.C. § 1) (“does not extend to the making or duplication of another sound recording that is an independent fixation of other sounds”). In other words, a sound recording owner has the exclusive right to “sample” his own recording.
We reject that interpretation of § 114(b). Bridgeport ignored the statutory structure and § 114(b)’s express limitation on the rights of a copyright holder. Bridgeport also declined to consider legislative history on the ground that “digital sampling wasn’t being done in 1971.” 410 F.3d at 805. But the state of technology is irrelevant to interpreting Congress’ intent as to statutory structure. Moreover, as Nimmer points out, Bridgeport’s reasoning fails on its own terms because contemporary technology plainly allowed the copying of small portions of a protected sound recording. Nimmer § 13.03[A][2][b], at 13-62 n.114.16.

***

The Sixth Circuit also looked beyond the statutory text, to the nature of a sound recording, and reasoned:

[Even when a small part of a sound recording is sampled, the part taken is something of value. No further proof of that is necessary than the fact that the producer of the record or the artist on the record intentionally sampled because it would (1) save costs, or (2) add something to the new recording, or (3) both. For the sound recording copyright holder, it is not the “song” but the sounds that are fixed in the medium of his choice. When those sounds are sampled they are taken directly from that fixed medium. It is a physical taking rather than an intellectual one.

Bridgeport, 410 F.3d at 801–02 (footnote omitted).

We disagree for three reasons. First, the possibility of a “physical taking” exists with respect to other kinds of artistic works as well, such as photographs, as to which the usual de minimis rule applies. See, e.g., Sandoval v. New Line Cinema Corp., 147 F.3d 215, 216 (2d Cir. 1998) (affirming summary judgment to the defendant because the defendant’s use of the plaintiff’s photographs in a movie was de
minimis). A computer program can, for instance, “sample” a piece of one photograph and insert it into another photograph or work of art. We are aware of no copyright case carving out an exception to the de minimis requirement in that context, and we can think of no principled reason to differentiate one kind of “physical taking” from another. Second, even accepting the premise that sound recordings differ qualitatively from other copyrighted works and therefore could warrant a different infringement rule, that theoretical difference does not mean that Congress actually adopted a different rule. Third, the distinction between a “physical taking” and an “intellectual one,” premised in part on “saving] costs” by not having to hire musicians, does not advance the Sixth Circuit’s view. The Supreme Court has held unequivocally that the Copyright Act protects only the expressive aspects of a copyrighted work, and not the “fruit of the [author’s] labor.” Feist Publ’ns, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 349, 111 S.Ct. 1282, 113 L.Ed.2d 358 (1991). . . .

Finally, Plaintiff advances several reasons why Bridgeport’s rule is superior as a matter of policy. For example, the Sixth Circuit opined that its bright-line rule was easy to enforce; that “the market will control the license price and keep it within bounds”; and that “sampling is never accidental” and is therefore easy to avoid. Bridgeport, 410 F.3d at 801. Those arguments are for a legislature, not a court. They speak to what Congress could decide; they do not inform what Congress actually decided.

We hold that the “de minimis” exception applies to actions alleging infringement of a copyright to sound recordings.

* * * *

SILVERMAN, Circuit Judge, dissenting:

The plaintiff is the owner of a copyright in a fixed sound recording. This is a valuable property right, the stock-in-trade of artists who make their living recording music and selling records. The plaintiff
alleges that the defendants, without a license or any sort of permission, physically copied a small part of the plaintiff's sound recording—which, to repeat, is property belonging to the plaintiff—and, having appropriated it, inserted into their own recording. If the plaintiff's allegations are to be believed, the defendants deemed this maneuver preferable to paying for a license to use the material, or to hiring their own musicians to record it. In any other context, this would be called theft. It is no defense to theft that the thief made off with only a “de minimis” part of the victim's property.

The majority chooses to follow the views of a popular treatise instead of an on-point decision of the Sixth Circuit, a decision that has governed the music industry in Nashville—“Music City”—and elsewhere for over a decade without causing either the sky to fall in, or Congress to step in. And just exactly what is the Sixth Circuit's radical holding in Bridgeport Music, Inc. v. Dimension Films that the majority finds so distasteful? It’s this: if you want to use an identical copy of a portion of a copyrighted fixed sound recording—we’re not talking about “substantially similar” tunes or rhythms, but an actual identical copy of a sound that has already been recorded in a fixed medium—get a license. You can't just take it. 410 F.3d 792, 800–01 (6th Cir. 2005).

As the majority acknowledges, after Newton v. Diamond, 388 F.3d 1189 (9th Cir. 2003), it is an “open question” in the Ninth Circuit whether a de minimis defense applies to fixed sound recordings as it does to less tangible works. The Bridgeport court explained why it should not.

First, by statute, sound recording copyright holders have an exclusive right to sample their own recordings. It’s an exclusive right; the statute does not give that right to others. 410 F.3d at 800–01. Under 17 U.S.C. §§ 106 and 114, the holder of a copyright in a sound recording (but not others) has the exclusive right to reproduce the work in copies or records “that directly or indirectly recapture the actual sounds fixed in the recording,” as well as the exclusive right to prepare derivative works “in which the actual sounds fixed in the sound recording are
rearranged, remixed, or otherwise altered in sequence or quality.” 17 U.S.C. §§ 106(1) and (2); 114(b). Congress clearly qualified these exclusive rights, writing that “another sound recording that consists entirely of an independent fixation of other sounds, even though such sounds imitate or simulate those in the copyrighted sound recording” are not within the scope of the copyright holder’s exclusive rights. 17 U.S.C. § 114(b). In other words, the world at large is free to imitate or simulate the creative work fixed in the recording (like a tribute band, for example) so long as an actual copy of the sound recording itself is not made. 410 F.3d at 800.

The majority rejects this straightforward reading, explaining by way of a rhetorical exercise that Bridgeport’s reading of § 114(b) is a logical fallacy, expanding the rights of copyright holders beyond that allowed under the judicial de minimis rule. As I see it, it is the majority that tortures the natural reading of these provisions. Bear in mind that § 114(b) simply explains the scope of exclusive rights already granted to copyright holders under § 106. These two provisions must be read together, as the Sixth Circuit did. 410 F.3d at 799–801. When read together, their message is clear: copyright holders have exclusive rights to their recordings, but cannot be heard to complain (i.e., there can be no infringement of those exclusive rights) where a new recording consists entirely of independently created sounds, such as might be found in a very good imitation. By the same token, if a new recording includes something other than independently created sounds, such as a blatant copy, the copyright holder whose work was sampled has a legitimate gripe. That right was not invented by the Sixth Circuit: it already exists in the statutes. And these statutes say nothing about the de minimis exception.

The second reason the Sixth Circuit gave for not adopting the de minimis rule is that sound recordings are different than their compositional counterparts: when a defendant copies a recording, he or she takes not the song but the sounds as they are fixed in the medium of the copyright holders’ choice. Id. at 801–02. In other words, the very nature of digital sampling makes a de minimis analysis inapplicable, since sampling or pirating necessarily involves copying a
fixed performance. See *id.* at 801 n.13. The defendants wanted horns to punctuate their song, so they took the plaintiff's copyrighted recording of horns. The horn hit is brief, but clearly perceptible and does its job. This is unlike indiscernible photographs used, not for their content (which cannot be made out), but to dress a movie set. See *Sandoval v. New Line Cinema Corp.*, 147 F.3d 215, 218 (2d Cir. 1998).

This is a physical taking, not an intellectual one. *Id.* at 802. Sampling is never accidental. *Id.* at 801. As the Sixth Circuit observed, it is not like the case of a composer who has a melody in his head, perhaps not even realizing that the reason he hears this melody is that it is the work of another that he has heard before. *Id.* When you sample a sound recording you know you are taking another's work product. *Id.* Accordingly, the pertinent inquiry in a sampling case is not whether a defendant sampled a little or a lot, but whether a defendant sampled at all. *Id.* at 798 n.6, 801–02 and n.13.

Again, the majority disagrees, rejecting *Bridgeport*’s characterization of a sample as a “physical taking” on the basis that copyright protection extends only to expressive aspects of a work, not the fruit of the author’s labor. According to the majority, copyright protection doesn’t extend to the sweat of an author’s brow. *Feist Publ’ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 349, 111 S.Ct. 1282, 113 L.Ed.2d 358 (1991) (discussing originality as applied to factual compilations, such as telephone directories). But that’s irrelevant here, since there is no question that the underlying sound recording can be copyrighted, and it is the taking of that protectable work that is at issue.

I find *Bridgeport*’s arguments well-reasoned and persuasive. Equally compelling is, I think, Congress’s silence in the wake of *Bridgeport*, especially in light of the fact that the Sixth Circuit explicitly invited Congress to clarify or change the law if *Bridgeport*’s bright-line rule was not what Congress intended. 410 F.3d at 805. While it’s true that congressional inaction in the face of judicial interpretation is not ironclad evidence of Congressional approval, see *Alexander v. Sandoval*, 532 U.S. 275, 292, 121 S.Ct. 1511, 149 L.Ed.2d 517 (2001), it’s not
chopped liver either. In this case *Bridgeport* has not been hiding out in the woods, waiting to be found: it has been governing the music industry in Nashville and elsewhere for eleven years. The majority now proposes to introduce a different rule for this circuit, creating a circuit split, and providing a lower level of protection for copyright holders in a different area of the country. See *Seven Arts Filmed Entertainment Ltd. v. Content Media Corp. PLC*, 733 F.3d 1251, 1256 (9th Cir. 2013). This inconsistent approach is plainly in contravention of Congressional intent that copyright laws be predictable and uniform, yet the majority defends its rogue path on the ground that Congress must have intended something other than what the Sixth Circuit has concluded, even though we’ve heard not a peep from Congress, or for that matter the Supreme Court, in the eleven years since *Bridgeport* has been on the books.

In short, the majority’s fuzzy approach would require a factual and largely visceral inquiry into whether each and every instance of sampling was “substantial,” whereas *Bridgeport* provides in the case of a fixed sound recording a bright-line rule, and I quote: “Get a license or do not sample.” 410 F.3d at 801. True, *Get a license or do not sample* doesn’t carry the same divine force as *Thou Shalt Not Steal*, but it’s the same basic idea. I would hold that the de minimis exception does not apply to the sampling, copying, stealing, pirating, misappropriation—call it what you will—of copyrighted fixed sound recordings. Once the sound is fixed, it is tangible property belonging to the copyright holder, and no one else has the right to take even a little of it without permission. I therefore respectfully dissent.

Notes

1. **Should Congress Step In?** The majority in *VMG* dismisses the policy arguments that had been advanced in the Sixth Circuit’s earlier *Bridgeport* decision by saying that they are for Congress, not the Courts. Judge Silverman, dissenting, argues that Congressional silence since *Bridgeport* suggests Congressional approval of the result in that case, but of course, Congressional silence is notoriously difficult to interpret. Now that we have a
Circuit split, the issue may be destined for the Supreme Court. Is this a good case for a Congressional fix, or is this something better left for judicial determination?

2. Firm Rule or Flexible Standard. Perhaps the single most common recurring issue in law is whether a given principle should be cast as a bright-line test or subject to case-by-case determination. The former provides certainty, but can result in unjust results in specific instances. The later allow justice to be done, but at the price of significant unpredictability. As Judge Silverman notes, the rule adopted by the VMG majority now leaves those who wish to sample (in the Ninth Circuit) in the position of having to guess how much is “de minimis” and how much might cross the line. No guessing is necessary in the Sixth Circuit under the Bridgeport “get a license or do not sample” rule. On the other hand, the bright-line test of Bridgeport might inhibit creativity on the part of artists who want to use fleetingly brief samples from multiple recordings but who cannot feasible license all of those samples, and it might condemn as infringers those who many would consider to be free of wrongdoing. Is there any rational way to choose between these two approaches?

3. Assuming Away the Real Issue? The dissent by Judge Silverman is rather tart. He sees unlicensed sampling as theft because, in his view, there is a property interest in the original sound recording, and stealing even a little is still stealing. (One is put in mind of Les Misérables and the conviction of Jean Valjean for stealing a loaf of bread.) The real question would seem to be, however, about how the property interest should be defined. If the “property” in question is defined as the right not to have other take substantially similar chunks of your intellectual property, then the taking of de minimis portions does not violate that property interest. This is not a strange idea. If I own land subject to an easement, then my property interest is subject to the easement. One could think of de minimis use of copyrighted works as a public easement on the property, in the interest of, dare we say it, promoting the progress of science. Moreover, the “property interest” in copyright is
strictly a matter of statutory definition. If there were no copyright statute, Pettibone could have taken as much of *Love Break* as he wanted without running any legal risks. If Congress steps in to create a *limited* property right that only protects against “more than de minimis” takings, is it really fair to call the de minimis taking “theft?”

E. Protecting Integrity and Attribution: “Moral Rights” and the Visual Artists Rights Act

p. 881 – Insert After Note 1

IA. VARA and “Applied Art.” One of the other categories of material excluded from the definition of “works of visual art,” and hence excluded from VARA coverage, are works of “applied art.” In *Cheffins v. Stewart*, 2016 WL 3190914 (9th Cir. 2016) two artists—Simon Cheffins and Gregory Jones—took an old school bus and covered it with a wooden structure to create a work resembling a Spanish Galleon. They called this piece *La Contessa* and it was initially displayed at the countercultural festival known as Burning Man each year from 2002 through 2005. During the festival those in attendance could take rides on the *La Contessa* and it was used for other public gatherings including, in at least one instance, a wedding. After 2005 Cheffins stored the *La Contessa* on land in the possession of a friend named Grant. When Grant vacated the property, the land came into the possession of Michael Stewart, the eventual defendant in the case. Stewart didn’t much care for *La Contessa*, so he burned it, with the ultimate goal of selling the underlying bus as scrap metal. Cheffins and Jones sued for violation of their VARA rights. On appeal, the focus was on the threshold question of whether *La Contessa* qualified as a work of visual art or whether it was, instead, a work of “applied art.” The court endorsed a Second Circuit definition of applied art as “two- and three-dimensional ornamentation or decoration that is affixed to otherwise utilitarian objects.” *Carter v. Helmsley–Spear, Inc.*, 71 F.3d 77, 84-85 (2d Cir. 1995). Effectively, the court’s view was that if the object had any utilitarian function, it would fall into the category of applied art. That made the case easy for the court, which noted
The La Contessa began as a simple school bus—an object which unquestionably served the utilitarian function of transportation. To transform the bus into the La Contessa, Cheffins and Jones adorned it with the visual trappings of a 16th-century Spanish galleon. While the La Contessa’s elaborate decorative elements may have had many artistic qualities, the La Contessa retained a largely practical function even after it had been completed. At Burning Man, the La Contessa was used for transportation, providing rides to festival-goers, hosting musical performances and weddings, and serving as a stage for poetry and acrobatics shows.

Do you think La Contessa was copyrightable as a sculptural work? Even if were utilitarian (as the world’s most preposterous bus), copyright would be available if there were “conceptually separable” aesthetic elements. Do you think there were? If there were, should that also be the dividing line between works of applied art and VARA-protectable works of visual art?
p. 891 – add the following before Note 2 “Does VARA Protect Artists or Copies of Works of Art?

IA. VARA and Graffiti. Much urban graffiti is – at least to the untutored eyes of your authors – nothing more than spray-painted scribbles. However there is a genre of graffiti – sometimes now called exterior aerosol art – which has higher aspirations and clearly displays significant artistic merit. Jonathan Cohen is a graffiti artist (working under the name Meres One), who also “curated” a large collection of exterior aerosol art on a warehouse building in the Long Island City neighborhood of New York. The owners of the building – which became known as 5Pointz – allowed the artists to use it, but they subsequently decided they wanted to demolish it, to construct, among other things a high rise luxury condominium building. Cohen and others brought suit under VARA to prevent the destruction of their work. Among other things, they argued that the various works involved were of “recognized stature,” because the site was mentioned in 150 tour guides of the New York City, listed as a “must-see” attraction by Time Out New York magazine, and was the destination for numerous school tours which sold out months in advance.

Plaintiffs sought a preliminary injunction, but in Cohen v. G & M Realty L.P., 2013 WL 6172732 (S.D.N.Y.) the court denied their request. On the merits, the court felt that issue of “recognized stature” was close. Defendant’s expert insisted that a work could not meet the statutory requirement unless it was mentioned in the scholarly literature or at least had achieved widespread notoriety on-line. Plaintiff’s expert, focused instead on the popularity of the works as a tourist attraction and their intrinsic artistic quality. The decisive factor, however, was that in the court’s view, the plaintiffs could not demonstrate irreparable harm – a requirement for preliminary injunctive relief. The court reasoned that if plaintiffs prevailed after a full trial on the merits, they would be entitled to recover potentially substantial monetary damages, which would be an adequate remedy under the circumstances. The court was also swayed by the transient nature of the works – the artists knew that the building was eventually slated for demolition.
and some of the works in question were even created after the City Planning Commission approved the owner’s demolition proposal.

The court announced its ruling on November 12, 2013. One week later, on November 19, 2013, the exterior of the building was painted white, obliterating all of the graffiti. The court published its opinion on the preliminary injunction the following day.

5Pointz, Before and After
Chapter 12  Public Performance and Display Rights

A. When is A Performance or Display “Public”?

p. 904 – insert after note 5:

5A. Yet another variation. In Warner Bros. Entertainment Inc. v. WTV Systems, Inc., 824 F. Supp. 2d 1003 (C.D. Cal. 2011), some overly clever entrepreneurs purchased hundreds of DVD players, inserted DVDs of popular movies into them, placed them in a data center in Santa Clara, California, and marketed a DVD “rental” service under the brand name Zediva. For $1.99, customers could “rent” a DVD for 14 days and have its contents streamed to them over the Internet. In fact, however, even during that 14-day rental period, a customer did not have exclusive rights to any particular DVD copy; whenever a customer asked to play the contents of the DVD, the automated system would direct his request to an available machine.
loaded with the DVD in question; if none were available, the system would notify him when one became available. The court granted the plaintiff’s motion for a preliminary injunction, holding that the defendants were publicly performing the movies on the DVDs. It distinguished Cablevision on the ground that “unlike Cablevision, Defendants’ customers do not produce their own unique copy of Plaintiffs’ Copyrighted Works.” More broadly, the court declined to adopt the “volitional conduct” requirement for direct infringement imposed by the Second Circuit in Cablevision “without clear instruction from the Ninth Circuit.” Note that this case was decided before the Dish Network case discussed on Page 8 of this Supplement. Does the logic of Dish Network suggest that WTV Systems was wrongly decided?

p. 905 – insert the following after note 7:

**Copyright in the Real World:**
Do cable and satellite TV companies have to pay copyright owners when they carry broadcast TV channels?

When a cable TV company like Cablevision retransmits a channel like Cartoon Network, it pays Cartoon Network a negotiated licensing fee for the copyrighted content that Cartoon Network provides. Cartoon Network is a cable- and satellite-only channel – it does not broadcast its content over-the-air – and it would only provide its “feed” to Cablevision and other cable companies if they paid licensing fees.

As you likely know, however, cable and satellite companies also carry over-the-air broadcast channels. For example, for its subscribers in the Washington, DC area, Comcast carries local Washington broadcast channels like WUSA (affiliated with the CBS network), WJLA (affiliated with ABC), and WETA (affiliated with PBS). Suppose that WJLA were to broadcast the movie musical “Hairspray” -- as it has in fact done. WJLA is clearly publicly performing the movie, and so it (or ABC) has to obtain a license from New Line Cinema, the owner of copyright in the movie. It is also publicly performing the songs that are featured in the movie, like “Good Morning Baltimore” and “Run and Tell That,” and so it has to
get a license from Winding Brook Way Music and Walli Woo Entertainment, the music publishers that own copyright in those compositions, or from their licensing agent ASCAP.

Now suppose that Comcast picks up the WJLA broadcast signal with an antenna, and then carries that signal over its cables to its subscribers. Is it also publicly performing the movie and the songs, or is it just passing along WJLA’s performance? In 1968, the Supreme Court considered this issue as it arose under the Copyright Act of 1909, and held that cable companies did not perform works by retransmitting television broadcasts of them:

The television broadcaster in one sense does less than the exhibitor of a motion picture or stage play; he supplies his audience not with visible images but only with electronic signals. The viewer conversely does more than a member of a theater audience; he provides the equipment to convert electronic signals into audible sound and visible images. Despite these deviations from the conventional situation contemplated by the framers of the Copyright Act, broadcasters have been judicially treated as exhibitors, and viewers as members of a theater audience. Broadcasters perform. Viewers do not perform. . . . When CATV [this was the designation for cable television in the 1960’s – Eds.] is considered in this framework, we conclude that it falls on the viewer’s side of the line. Essentially, a CATV system no more than enhances the viewer’s capacity to receive the broadcaster’s signals; it provides a well-located antenna with an efficient connection to the viewer’s television set.

*Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390, 398-99 (1968); see *Teleprompter Corp. v. Columbia Broadcasting System, Inc.*, 415 U.S. 394 (1974) (using this analysis even when cable systems were carrying broadcast signals to distant markets to which the signals themselves didn’t reach.) Do you agree with the way the Court viewed the issue? From an economic point of view, can you imagine circumstances under which cable subscribers would end up paying subscription fees that reflected, not just the cost of cable transmission, but the value of the copyrighted movies and television shows that they could get?

Believe it or not, litigation and subsequent legislative negotiation over cable TV probably bore principal responsibility delaying passage of the new Copyright Act – which might have otherwise been the Copyright Act of, say, 1968 or 1972 – for many
years. Ultimately, in the 1976 Act, Congress enacted a compromise: a compulsory license. The activity of the cable company in carrying broadcast TV was defined as “secondary transmission” – see the definition in § 111(f) of the Copyright Act. Secondary transmissions were to be treated as public performances, but they would have the benefit of a statutory license created in § 111 of the Act. Cable companies that transmitted broadcast TV signals containing performances of copyrighted works would pay license fees set by a government tribunal. In 1988, after other companies had begun to carry broadcast television over satellite, a similar statutory license was created for them in § 119 of the Act.

Cable and satellite TV have changed tremendously over the last few decades. Most of you are probably familiar enough with them to know that access to broadcast TV channels is now only a minor feature of cable and satellite offerings. Far more programming is available on non-broadcast channels that are provided under copyright licenses negotiated by the parties. In 2008, the Copyright Office concluded that the statutory licenses were outmoded, and recommended their elimination. See U.S. Copyright Office, Section 109 Study on the Cable and Satellite Statutory Licenses under the Copyright Act (June 2008). Congress, however, has not yet followed that recommendation. That leads us to the answer to the question that we posed above. Cable and satellite companies currently do have to pay a licensing fee when they carry broadcast TV channels that perform copyrighted works. However, they do not have to bargain with copyright owners; they just pay a rate set by the Copyright Royalty Board.

That rate, by the way, is calculated via a complex formula and can vary from a few cents per subscriber per year, to up to almost a dollar per subscriber per year. The aggregate amounts involved are not trivial. If you click here, you will see, from the chart on the second page, that the total royalties paid by cable companies under the compulsory license in 2012 was in excess of $200 million; the chart on page 4 shows that satellite companies paid about $90 million.
9. “Pure Download” Transmissions: Not Performances? At the other extreme, sound and video are sometimes transmitted in files that must be fully copied onto your computer before you can start to listen or view, and that are designed to remain permanently on the computer, so that you can play and replay them as many times as you want. Those transmissions have sometimes been called “pure downloads.” Pure download transmissions, resulting in the creation of new, permanent copies, clearly require reproduction and distribution licenses, but are they also public performances requiring performance licenses? Affirming a District Court ruling, the Second Circuit held in 2010 that they were not: “The downloaded songs are not performed in any perceptible manner during the transfers; the user must take some further action to play the songs after they are downloaded. Because the electronic download itself involves no recitation, rendering, or playing of the musical work encoded in the digital transmission, we hold that such a download is not a performance of that work, as defined by §101.” U.S. v. ASCAP, 627 F.3d 64, 73 (2d Cir. 2010). Since reproduction and performance rights are typically licensed through different entities in the U.S. (though not in many other countries), the Southern District’s resolution has the virtue of reducing licensing transaction costs: a company that sells pure downloads (for instance iTunes) has one less licensing negotiation to worry about.

American Broadcasting Companies, Inc. v. Aereo, Inc.

Supreme Court of the United States, 2014
2014 WL 2864485

Justice BREYER delivered the opinion of the Court.

The Copyright Act of 1976 gives a copyright owner the “exclusive right[t]” to “perform the copyrighted work publicly.” 17 U.S.C. § 106(4). The Act’s Transmit Clause defines that exclusive right as including the
right to

“transmit or otherwise communicate a performance ... of the [copyrighted] work ... to the public, by means of any device or process, whether the members of the public capable of receiving the performance ... receive it in the same place or in separate places and at the same time or at different times.” § 101.

We must decide whether respondent Aereo, Inc., infringes this exclusive right by selling its subscribers a technologically complex service that allows them to watch television programs over the Internet at about the same time as the programs are broadcast over the air. We conclude that it does.

I

A

For a monthly fee, Aereo offers subscribers broadcast television programming over the Internet, virtually as the programming is being broadcast. Much of this programming is made up of copyrighted works. Aereo neither owns the copyright in those works nor holds a license from the copyright owners to perform those works publicly.

Aereo’s system is made up of servers, transcoders, and thousands of dime-sized antennas housed in a central warehouse. It works roughly as follows: First, when a subscriber wants to watch a show that is currently being broadcast, he visits Aereo’s website and selects, from a list of the local programming, the show he wishes to see.

Second, one of Aereo’s servers selects an antenna, which it dedicates to the use of that subscriber (and that subscriber alone) for the duration of the selected show. A server then tunes the antenna to the over-the-air broadcast carrying the show. The antenna begins to receive the broadcast, and an Aereo transcoder translates the signals received into data that can be transmitted over the Internet.

Third, rather than directly send the data to the subscriber, a server saves the data in a subscriber-specific folder on Aereo’s hard drive. In
other words, Aereo’s system creates a subscriber-specific copy—that is, a “personal” copy—of the subscriber’s program of choice.

Fourth, once several seconds of programming have been saved, Aereo’s server begins to stream the saved copy of the show to the subscriber over the Internet. (The subscriber may instead direct Aereo to stream the program at a later time, but that aspect of Aereo’s service is not before us.) The subscriber can watch the streamed program on the screen of his personal computer, tablet, smart phone, Internet-connected television, or other Internet-connected device. The streaming continues, a mere few seconds behind the over-the-air broadcast, until the subscriber has received the entire show . . .

Aereo emphasizes that the data that its system streams to each subscriber are the data from his own personal copy, made from the broadcast signals received by the particular antenna allotted to him. Its system does not transmit data saved in one subscriber’s folder to any other subscriber. When two subscribers wish to watch the same program, Aereo’s system activates two separate antennas and saves two separate copies of the program in two separate folders. It then streams the show to the subscribers through two separate transmissions—each from the subscriber’s personal copy.

B

Petitioners are television producers, marketers, distributors, and broadcasters who own the copyrights in many of the programs that Aereo’s system streams to its subscribers. They brought suit against Aereo for copyright infringement in Federal District Court. They sought a preliminary injunction, arguing that Aereo was infringing their right to “perform” their works “publicly,” as the Transmit Clause defines those terms.

The District Court denied the preliminary injunction. 874 F.Supp.2d 373 (S.D.N.Y.2012). Relying on prior Circuit precedent, a divided panel of the Second Circuit affirmed. WNET, Thirteen v. Aereo, Inc., 712 F.3d 676 (2013) (citing Cartoon Network LP, LLLP v. CSC Holdings, Inc., 536 F.3d 121 (2008)). In the Second Circuit’s view, Aereo does not perform publicly within the meaning of the Transmit Clause because it does not transmit “to the public.” Rather, each time Aereo streams a program to a subscriber, it sends a private transmission that is available only to
II

This case requires us to answer two questions: First, in operating in the manner described above, does Aereo “perform” at all? And second, if so, does Aereo do so “publicly”? . . .

Does Aereo “perform”? See § 106(4) (“[T]he owner of [a] copyright ... has the exclusive right ... to perform the copyrighted work publicly” (emphasis added)); § 101 (“To perform ... a work ‘publicly’ means [among other things] to transmit ... a performance ... of the work ... to the public ”) (emphasis added)). Phrased another way, does Aereo “transmit ... a performance” when a subscriber watches a show using Aereo’s system, or is it only the subscriber who transmits? In Aereo’s view, it does not perform. It does no more than supply equipment that “emulate[s] the operation of a home antenna and [digital video recorder (DVR)].” Brief for Respondent 41. Like a home antenna and DVR, Aereo’s equipment simply responds to its subscribers’ directives. So it is only the subscribers who “perform” when they use Aereo’s equipment to stream television programs to themselves.

Considered alone, the language of the Act does not clearly indicate when an entity “perform[s]” (or “transmit[s]”) and when it merely supplies equipment that allows others to do so. But when read in light of its purpose, the Act is unmistakable: An entity that engages in activities like Aereo’s performs.

A

History makes plain that one of Congress’ primary purposes in amending the Copyright Act in 1976 was to overturn this Court’s determination that community antenna television (CATV) systems (the precursors of modern cable systems) fell outside the Act’s scope. In *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390, 88 S.Ct. 2084, 20 L.Ed.2d 1176 (1968), the Court considered a CATV system that carried local television broadcasting, much of which was copyrighted, to its subscribers in two cities. The CATV provider placed antennas on hills above the cities and used coaxial cables to carry the signals received by the antennas to the home television sets of its subscribers. The system amplified and modulated the signals in
order to improve their strength and efficiently transmit them to subscribers. A subscriber “could choose any of the ... programs he wished to view by simply turning the knob on his own television set.” *Id.*, at 392, 88 S.Ct. 2084. The CATV provider “neither edited the programs received nor originated any programs of its own.” *Ibid.*

Asked to decide whether the CATV provider infringed copyright holders’ exclusive right to perform their works publicly, the Court held that the provider did not “perform” at all. . .

The Court reasoned that CATV providers were unlike broadcasters:

“Broadcasters select the programs to be viewed; CATV systems simply carry, without editing, whatever programs they receive. Broadcasters procure programs and propagate them to the public; CATV systems receive programs that have been released to the public and carry them by private channels to additional viewers.” *Id.*, at 400, 88 S.Ct. 2084.

Instead, CATV providers were more like viewers, for “the basic function [their] equipment serves is little different from that served by the equipment generally furnished by” viewers. *Id.*, at 399, 88 S.Ct. 2084. . .

In *Teleprompter Corp. v. Columbia Broadcasting System, Inc.*, 415 U.S. 394, 94 S.Ct. 1129, 39 L.Ed.2d 415 (1974), the Court considered the copyright liability of a CATV provider that carried broadcast television programming into subscribers’ homes from hundreds of miles away. Although the Court recognized that a viewer might not be able to afford amplifying equipment that would provide access to those distant signals, it nonetheless found that the CATV provider was more like a viewer than a broadcaster. *Id.*, at 408–409, 94 S.Ct. 1129. . .

B

In 1976 Congress amended the Copyright Act in large part to reject the Court’s holdings in *Fortnightly* and *Teleprompter*. See H.R.Rep. No. 94–1476, pp. 86–87 (1976) (hereinafter H.R. Rep.) (The 1976 amendments “completely overturned” this Court’s narrow construction of the Act in *Fortnightly* and *Teleprompter*). Congress enacted new language that erased the Court’s line between broadcaster and viewer, in respect to “perform[ing]” a work. The amended statute clarifies that to “perform”
an audiovisual work means “to show its images in any sequence or to make the sounds accompanying it audible.” § 101; . . . Under this new language, both the broadcaster and the viewer of a television program “perform,” because they both show the program’s images and make audible the program’s sounds. See H.R. Rep., at 63 (“[A] broadcasting network is performing when it transmits [a singer’s performance of a song] ... and any individual is performing whenever he or she ... communicates the performance by turning on a receiving set”).

Congress also enacted the Transmit Clause, which specifies that an entity performs publicly when it “transmit[s] ... a performance ... to the public.” § 101; see ibid. (defining “[t]o ‘transmit’ a performance” as “to communicate it by any device or process whereby images or sounds are received beyond the place from which they are sent”). Cable system activities, like those of the CATV systems in Fortnightly and Teleprompter, lie at the heart of the activities that Congress intended this language to cover. See H.R. Rep., at 63 (“[A] cable television system is performing when it retransmits [a network] broadcast to its subscribers”); see also ibid. (“[T]he concept of public performance ... cover[s] not only the initial rendition or showing, but also any further act by which that rendition or showing is transmitted or communicated to the public”). The Clause thus makes clear that an entity that acts like a CATV system itself performs, even if when doing so, it simply enhances viewers’ ability to receive broadcast television signals.

Congress further created a new section of the Act to regulate cable companies’ public performances of copyrighted works. See § 111. Section 111 creates a complex, highly detailed compulsory licensing scheme that sets out the conditions, including the payment of compulsory fees, under which cable systems may retransmit broadcasts . . .

Congress made these three changes to achieve a similar end: to bring the activities of cable systems within the scope of the Copyright Act.

C

This history makes clear that Aereo is not simply an equipment provider. Rather, Aereo, and not just its subscribers, “perform[s]” (or
“transmit[s]"). Aereo’s activities are substantially similar to those of the CATV companies that Congress amended the Act to reach. See id., at 89 (“[C]able systems are commercial enterprises whose basic retransmission operations are based on the carriage of copyrighted program material”). Aereo sells a service that allows subscribers to watch television programs, many of which are copyrighted, almost as they are being broadcast. In providing this service, Aereo uses its own equipment, housed in a centralized warehouse, outside of its users’ homes. By means of its technology (antennas, transcoders, and servers), Aereo’s system “receive[s] programs that have been released to the public and carr[ies] them by private channels to additional viewers.” Fortnightly, 392 U.S., at 400, 88 S.Ct. 2084. It “carr[ies] ... whatever programs [it] receive[s],” and it offers “all the programming” of each over-the-air station it carries. Id., at 392, 400, 88 S.Ct. 2084. . .

We recognize, and Aereo and the dissent emphasize, one particular difference between Aereo’s system and the cable systems at issue in Fortnightly and Teleprompter. The systems in those cases transmitted constantly; they sent continuous programming to each subscriber’s television set. In contrast, Aereo’s system remains inert until a subscriber indicates that she wants to watch a program. Only at that moment, in automatic response to the subscriber’s request, does Aereo’s system activate an antenna and begin to transmit the requested program.

This is a critical difference, says the dissent. It means that Aereo’s subscribers, not Aereo, “selec[t] the copyrighted content” that is “perform [ed],” post, at ---- (opinion of SCALIA, J.), and for that reason they, not Aereo, “transmit” the performance. Aereo is thus like “a copy shop that provides its patrons with a library card.” Post, at ----. A copy shop is not directly liable whenever a patron uses the shop’s machines to “reproduce” copyrighted materials found in that library. See § 106(1) (“exclusive righ [t] ... to reproduce the copyrighted work”). And by the same token, Aereo should not be directly liable whenever its patrons use its equipment to “transmit” copyrighted television programs to their screens.

In our view, however, the dissent’s copy shop argument, in whatever form, makes too much out of too little. Given Aereo’s overwhelming
likeness to the cable companies targeted by the 1976 amendments, this sole technological difference between Aereo and traditional cable companies does not make a critical difference here. The subscribers of the Fortnightly and Teleprompter cable systems also selected what programs to display on their receiving sets. Indeed, as we explained in Fortnightly, such a subscriber “could choose any of the ... programs he wished to view by simply turning the knob on his own television set.” 392 U.S., at 392, 88 S.Ct. 2084. The same is true of an Aereo subscriber. Of course, in Fortnightly the television signals, in a sense, lurked behind the screen, ready to emerge when the subscriber turned the knob. Here the signals pursue their ordinary course of travel through the universe until today’s “turn of the knob”—a click on a website—activates machinery that intercepts and reroutes them to Aereo’s subscribers over the Internet. But this difference means nothing to the subscriber. It means nothing to the broadcaster. We do not see how this single difference, invisible to subscriber and broadcaster alike, could transform a system that is for all practical purposes a traditional cable system into “a copy shop that provides its patrons with a library card.”

In other cases involving different kinds of service or technology providers, a user’s involvement in the operation of the provider’s equipment and selection of the content transmitted may well bear on whether the provider performs within the meaning of the Act. But the many similarities between Aereo and cable companies, considered in light of Congress’ basic purposes in amending the Copyright Act, convince us that this difference is not critical here. We conclude that Aereo is not just an equipment supplier and that Aereo “perform[s].”

III

Next, we must consider whether Aereo performs petitioners’ works “publicly,” within the meaning of the Transmit Clause. Under the Clause, an entity performs a work publicly when it “transmit[s] ... a performance ... of the work ... to the public.” § 101. Aereo denies that it satisfies this definition. It reasons as follows: First, the “performance” it “transmit[s]” is the performance created by its act of transmitting. And second, because each of these performances is capable of being received by one and only one subscriber, Aereo transmits privately,
not publicly. Even assuming Aereo's first argument is correct, its second does not follow.

We begin with Aereo's first argument. What performance does Aereo transmit? Under the Act, “[t]o ‘transmit’ a performance ... is to communicate it by any device or process whereby images or sounds are received beyond the place from which they are sent.” Ibid. And “[t]o ‘perform’” an audiovisual work means “to show its images in any sequence or to make the sounds accompanying it audible.” Ibid.

Petitioners say Aereo transmits a prior performance of their works. Thus when Aereo retransmits a network's prior broadcast, the underlying broadcast (itself a performance) is the performance that Aereo transmits. Aereo, as discussed above, says the performance it transmits is the new performance created by its act of transmitting. That performance comes into existence when Aereo streams the sounds and images of a broadcast program to a subscriber's screen.

We assume arguendo that Aereo’s first argument is correct. Thus, for present purposes, to transmit a performance of (at least) an audiovisual work means to communicate contemporaneously visible images and contemporaneously audible sounds of the work. Cf. United States v. American Soc. of Composers, Authors and Publishers, 627 F.3d 64, 73 (C.A.2 2010) (holding that a download of a work is not a performance because the data transmitted are not “contemporaneously perceptible”). When an Aereo subscriber selects a program to watch, Aereo streams the program over the Internet to that subscriber. Aereo thereby “communicate[s]” to the subscriber, by means of a “device or process,” the work's images and sounds. § 101. And those images and sounds are contemporaneously visible and audible on the subscriber's computer (or other Internet-connected device). So under our assumed definition, Aereo transmits a performance whenever its subscribers watch a program.

But what about the Clause's further requirement that Aereo transmit a performance “to the public”? As we have said, an Aereo subscriber receives broadcast television signals with an antenna dedicated to him alone. Aereo’s system makes from those signals a personal copy of the selected program. It streams the content of the copy to the same subscriber and to no one else. One and only one subscriber has the
ability to see and hear each Aereo transmission. The fact that each transmission is to only one subscriber, in Aereo’s view, means that it does not transmit a performance “to the public.”

In terms of the Act’s purposes, these differences do not distinguish Aereo’s system from cable systems, which do perform “publicly.” Viewed in terms of Congress’ regulatory objectives, why should any of these technological differences matter? They concern the behind-the-scenes way in which Aereo delivers television programming to its viewers’ screens. They do not render Aereo’s commercial objective any different from that of cable companies. Nor do they significantly alter the viewing experience of Aereo’s subscribers. Why would a subscriber who wishes to watch a television show care much whether images and sounds are delivered to his screen via a large multisubscriber antenna or one small dedicated antenna, whether they arrive instantaneously or after a few seconds’ delay, or whether they are transmitted directly or after a personal copy is made? And why, if Aereo is right, could not modern CATV systems simply continue the same commercial and consumer-oriented activities, free of copyright restrictions, provided they substitute such new technologies for old? . . .

The text of the Clause effectuates Congress’ intent. Aereo’s argument to the contrary relies on the premise that “to transmit ... a performance” means to make a single transmission. But the Clause suggests that an entity may transmit a performance through multiple, discrete transmissions. That is because one can “transmit” or “communicate” something through a set of actions. Thus one can transmit a message to one’s friends, irrespective of whether one sends separate identical e-mails to each friend or a single e-mail to all at once. So can an elected official communicate an idea, slogan, or speech to her constituents, regardless of whether she communicates that idea, slogan, or speech during individual phone calls to each constituent or in a public square.

The fact that a singular noun (“a performance”) follows the words “to transmit” does not suggest the contrary. One can sing a song to his family, whether he sings the same song one-on-one or in front of all together. Similarly, one’s colleagues may watch a performance of a
particular play—say, this season's modern-dress version of “Measure for Measure”—whether they do so at separate or at the same showings. By the same principle, an entity may transmit a performance through one or several transmissions, where the performance is of the same work.

The Transmit Clause must permit this interpretation, for it provides that one may transmit a performance to the public “whether the members of the public capable of receiving the performance ... receive it ... at the same time or at different times.” § 101. Were the words “to transmit ... a performance” limited to a single act of communication, members of the public could not receive the performance communicated “at different times.” Therefore, in light of the purpose and text of the Clause, we conclude that when an entity communicates the same contemporaneously perceptible images and sounds to multiple people, it transmits a performance to them regardless of the number of discrete communications it makes.

We do not see how the fact that Aereo transmits via personal copies of programs could make a difference. The Act applies to transmissions “by means of any device or process.” Ibid. And retransmitting a television program using user-specific copies is a “process” of transmitting a performance. A “cop[y]” of a work is simply a “material objec[t] ... in which a work is fixed ... and from which the work can be perceived, reproduced, or otherwise communicated.” Ibid. So whether Aereo transmits from the same or separate copies, it performs the same work; it shows the same images and makes audible the same sounds. Therefore, when Aereo streams the same television program to multiple subscribers, it “transmit[s] ... a performance” to all of them.

Moreover, the subscribers to whom Aereo transmits television programs constitute “the public.” Aereo communicates the same contemporaneously perceptible images and sounds to a large number of people who are unrelated and unknown to each other. This matters because, although the Act does not define “the public,” it specifies that an entity performs publicly when it performs at “any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered.” Ibid. The Act thereby suggests that “the public” consists of a large group of people outside of
a family and friends.

Neither the record nor Aereo suggests that Aereo’s subscribers receive performances in their capacities as owners or possessors of the underlying works. This is relevant because when an entity performs to a set of people, whether they constitute “the public” often depends upon their relationship to the underlying work. When, for example, a valet parking attendant returns cars to their drivers, we would not say that the parking service provides cars “to the public.” We would say that it provides the cars to their owners. We would say that a car dealership, on the other hand, does provide cars to the public, for it sells cars to individuals who lack a pre-existing relationship to the cars. Similarly, an entity that transmits a performance to individuals in their capacities as owners or possessors does not perform to “the public,” whereas an entity like Aereo that transmits to large numbers of paying subscribers who lack any prior relationship to the works does so perform.

Finally, we note that Aereo’s subscribers may receive the same programs at different times and locations. This fact does not help Aereo, however, for the Transmit Clause expressly provides that an entity may perform publicly “whether the members of the public capable of receiving the performance ... receive it in the same place or in separate places and at the same time or at different times.” Ibid. In other words, “the public” need not be situated together, spatially or temporally. For these reasons, we conclude that Aereo transmits a performance of petitioners’ copyrighted works to the public, within the meaning of the Transmit Clause.

IV

Aereo and many of its supporting amici argue that to apply the Transmit Clause to Aereo’s conduct will impose copyright liability on other technologies, including new technologies, that Congress could not possibly have wanted to reach. We agree that Congress, while intending the Transmit Clause to apply broadly to cable companies and their equivalents, did not intend to discourage or to control the emergence or use of different kinds of technologies. But we do not believe that our limited holding today will have that effect.

For one thing, the history of cable broadcast transmissions that led to
the enactment of the Transmit Clause informs our conclusion that Aereo “perform[s],” but it does not determine whether different kinds of providers in different contexts also “perform.” For another, an entity only transmits a performance when it communicates contemporaneously perceptible images and sounds of a work. See Brief for Respondent 31 (“If a distributor ... sells [multiple copies of a digital video disc] by mail to consumers, ... [its] distribution of the DVDs merely makes it possible for the recipients to perform the work themselves—it is not a ‘device or process’ by which the distributor publicly performs the work” (emphasis in original)).

Further, we have interpreted the term “the public” to apply to a group of individuals acting as ordinary members of the public who pay primarily to watch broadcast television programs, many of which are copyrighted. We have said that it does not extend to those who act as owners or possessors of the relevant product. And we have not considered whether the public performance right is infringed when the user of a service pays primarily for something other than the transmission of copyrighted works, such as the remote storage of content. See Brief for United States as Amicus Curiae 31 (distinguishing cloud-based storage services because they “offer consumers more numerous and convenient means of playing back copies that the consumers have already lawfully acquired” (emphasis in original)). In addition, an entity does not transmit to the public if it does not transmit to a substantial number of people outside of a family and its social circle.

We also note that courts often apply a statute’s highly general language in light of the statute’s basic purposes. Finally, the doctrine of “fair use” can help to prevent inappropriate or inequitable applications of the Clause. See Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417, 104 S.Ct. 774, 78 L.Ed.2d 574 (1984)....

In sum, having considered the details of Aereo’s practices, we find them highly similar to those of the CATV systems in Fortnightly and Teleprompter. And those are activities that the 1976 amendments sought to bring within the scope of the Copyright Act. Insofar as there are differences, those differences concern not the nature of the service that
Aereo provides so much as the technological manner in which it provides the service. We conclude that those differences are not adequate to place Aereo’s activities outside the scope of the Act.

For these reasons, we conclude that Aereo “perform[s]” petitioners’ copyrighted works “publicly,” as those terms are defined by the Transmit Clause. We therefore reverse the contrary judgment of the Court of Appeals, and we remand the case for further proceedings consistent with this opinion.

It is so ordered.

Justice SCALIA, with whom Justice THOMAS and Justice ALITO join, dissenting.

We are here concerned with a single claim: that Aereo violates the [petitioners’] “exclusive right” to “perform” their programs “publicly.” 17 U.S.C. § 106(4). That claim fails at the very outset because Aereo does not “perform” at all. The Court manages to reach the opposite conclusion only by disregarding widely accepted rules for service-provider liability and adopting in their place an improvised standard (“looks-like-cable-TV”) that will sow confusion for years to come.

I. Legal Standard

There are two types of liability for copyright infringement: direct and secondary. As its name suggests, the former applies when an actor personally engages in infringing conduct. See Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417, 433, 104 S.Ct. 774, 78 L.Ed.2d 574 (1984). Secondary liability, by contrast, is a means of holding defendants responsible for infringement by third parties, even when the defendants “have not themselves engaged in the infringing activity.” Id., at 435, 104 S.Ct. 774. It applies when a defendant “intentionally induc[es] or encourag[es]” infringing acts by others or profits from such acts “while declining to exercise a right to stop or limit [them].” Metro–Goldwyn–Mayer Studios Inc. v. Grokster, Ltd., 545 U.S. 913, 930, 125 S.Ct. 2764, 162 L.Ed.2d 781 (2005).

Most suits against equipment manufacturers and service providers involve secondary-liability claims. For example, when movie studios sued to block the sale of Sony’s Betamax videocassette recorder
(VCR), they argued that Sony was liable because its customers were making unauthorized copies. See Sony, supra, at 434–435, 104 S.Ct. 774. Record labels and movie studios relied on a similar theory when they sued Grokster and StreamCast, two providers of peer-to-peer file-sharing software. See Grokster, supra, at 920–921, 927, 125 S.Ct. 2764.

This suit, or rather the portion of it before us here, is fundamentally different. The Networks claim that Aereo directly infringes their public-performance right. Accordingly, the Networks must prove that Aereo “perform[s]” copyrighted works, § 106(4), when its subscribers log in, select a channel, and push the “watch” button. That process undoubtedly results in a performance; the question is who does the performing. See Cartoon Network LP, LLLP v. CSC Holdings, Inc., 536 F.3d 121, 130 (C.A.2 2008). If Aereo’s subscribers perform but Aereo does not, the claim necessarily fails.

The Networks’ claim is governed by a simple but profoundly important rule: A defendant may be held directly liable only if it has engaged in volitional conduct that violates the Act. See 3 W. Patry, Copyright § 9:5.50 (2013). This requirement is firmly grounded in the Act’s text, which defines “perform” in active, affirmative terms: One “perform[s]” a copyrighted “audiovisual work,” such as a movie or news broadcast, by “show[ing] its images in any sequence” or “mak[ing] the sounds accompanying it audible.” § 101. And since the Act makes it unlawful to copy or perform copyrighted works, not to copy or perform in general, see § 501(a), the volitional-act requirement demands conduct directed to the plaintiff’s copyrighted material, see Sony, supra, at 434, 104 S.Ct. 774. Every Court of Appeals to have considered an automated-service provider’s direct liability for copyright infringement has adopted that rule. See Fox Broadcasting Co. v. Dish Network LLC, 747 F.3d 1060, 1066–1068 (C.A.9 2014); Cartoon Network, supra, at 130–131 (C.A.2 2008); CoStar Group, Inc. v. LoopNet, Inc., 373 F.3d 544, 549–550 (C.A.4 2004). Although we have not opined on the issue, our cases are fully consistent with a volitional-conduct requirement. For example, we gave several examples of direct infringement in Sony, each of which involved a volitional act directed to the plaintiff’s copyrighted material. See 464 U.S., at 437, n. 18, 104 S.Ct. 774.
The volitional-conduct requirement is not at issue in most direct-infringement cases . . . . But it comes right to the fore when a direct-infringement claim is lodged against a defendant who does nothing more than operate an automated, user-controlled system. See, e.g., *Fox Broadcasting*, supra, at 1067; *Cartoon Network*, supra, at 131. Internet-service providers are a prime example. When one user sends data to another, the provider’s equipment facilitates the transfer automatically. Does that mean that the provider is directly liable when the transmission happens to result in the “reproduc[tion],” § 106(1), of a copyrighted work? It does not. The provider’s system is “totally indifferent to the material’s content,” whereas courts require “some aspect of volition” directed at the copyrighted material before direct liability may be imposed. *CoStar*, 373 F.3d, at 550–551. The defendant may be held directly liable only if the defendant itself “trespassed on the exclusive domain of the copyright owner.” *Id.*, at 550. Most of the time that issue will come down to who selects the copyrighted content: the defendant or its customers. See *Cartoon Network*, supra, at 131–132.

A comparison between copy shops and video-on-demand services illustrates the point. A copy shop rents out photocopiers on a per-use basis. One customer might copy his 10–year–old’s drawings—a perfectly lawful thing to do—while another might duplicate a famous artist’s copyrighted photographs—a use clearly prohibited by § 106(1). Either way, the customer chooses the content and activates the copying function; the photocopier does nothing except in response to the customer’s commands. Because the shop plays no role in selecting the content, it cannot be held directly liable when a customer makes an infringing copy. See *CoStar*, supra, at 550.

Video-on-demand services, like photocopiers, respond automatically to user input, but they differ in one crucial respect: They choose the content. When a user signs in to Netflix, for example, “thousands of ... movies [and] TV episodes” carefully curated by Netflix are “available to watch instantly.” See How [D]oes Netflix [W]ork?, online at http://help.netflix.com/en/node/412 (as visited June 20, 2014, and available in Clerk of Court’s case file). That selection and arrangement by the service provider constitutes a volitional act directed to specific copyrighted works and thus serves as a basis for direct liability.
The distinction between direct and secondary liability would collapse if there were not a clear rule for determining whether the defendant committed the infringing act. See Cartoon Network, 536 F.3d, at 132–133. The volitional-conduct requirement supplies that rule; its purpose is not to excuse defendants from accountability, but to channel the claims against them into the correct analytical track. See Brief for 36 Intellectual Property and Copyright Law Professors as Amici Curiae 7. Thus, in the example given above, the fact that the copy shop does not choose the content simply means that its culpability will be assessed using secondary-liability rules rather than direct-liability rules. See Sony, supra, at 434–442, 104 S.Ct. 774; Cartoon Network, supra, at 132–133.

II. Application to Aereo

So which is Aereo: the copy shop or the video-on-demand service? In truth, it is neither. Rather, it is akin to a copy shop that provides its patrons with a library card. Aereo offers access to an automated system consisting of routers, servers, transcoders, and dime-sized antennae. Like a photocopier or VCR, that system lies dormant until a subscriber activates it. When a subscriber selects a program, Aereo’s system picks up the relevant broadcast signal, translates its audio and video components into digital data, stores the data in a user-specific file, and transmits that file’s contents to the subscriber via the Internet—at which point the subscriber’s laptop, tablet, or other device displays the broadcast just as an ordinary television would. The result of that process fits the statutory definition of a performance to a tee: The subscriber’s device “show[s]” the broadcast’s “images” and “make[s]” the sounds accompanying” the broadcast “audible.” § 101. The only question is whether those performances are the product of Aereo’s volitional conduct.

They are not. Unlike video-on-demand services, Aereo does not provide a prearranged assortment of movies and television shows. Rather, it assigns each subscriber an antenna that—like a library card—can be used to obtain whatever broadcasts are freely available. Some of those broadcasts are copyrighted; others are in the public domain. The key point is that subscribers call all the shots: Aereo’s automated system does not relay any program, copyrighted or not, until a subscriber selects the program and tells Aereo to relay it.
Aereo’s operation of that system is a volitional act and a but-for cause of the resulting performances, but, as in the case of the copy shop, that degree of involvement is not enough for direct liability. See *Grokster*, 545 U.S., at 960, 125 S.Ct. 2764 (BREYER, J., concurring) (“[T]he producer of a technology which permits unlawful copying does not himself engage in unlawful copying”).

In sum, Aereo does not “perform” for the sole and simple reason that it does not make the choice of content. And because Aereo does not perform, it cannot be held directly liable for infringing the Networks’ public-performance right. That conclusion does not necessarily mean that Aereo’s service complies with the Copyright Act. Quite the contrary. The Networks’ complaint alleges that Aereo is directly and secondarily liable for infringing their public-performance rights (§ 106(4)) and also their reproduction rights (§ 106(1)). Their request for a preliminary injunction—the only issue before this Court—is based exclusively on the direct-liability portion of the public-performance claim . . . . Affirming the judgment below would merely return this case to the lower courts for consideration of the Networks’ remaining claims.

**III. Guilt By Resemblance**

The Court’s conclusion that Aereo performs boils down to the following syllogism: (1) Congress amended the Act to overrule our decisions holding that cable systems do not perform when they retransmit over-the-air broadcasts; (2) Aereo looks a lot like a cable system; therefore (3) Aereo performs. *Ante*, at ---- – ----. That reasoning suffers from a trio of defects.

First, it is built on the shakiest of foundations. Perceiving the text to be ambiguous, *ante*, at ----, the Court reaches out to decide the case based on a few isolated snippets of legislative history, *ante*, at ---- – ---- (citing H.R.Rep. No. 94–1476 (1976)). The Court treats those snippets as authoritative evidence of congressional intent even though they come from a single report issued by a committee whose members make up a small fraction of one of the two Houses of Congress. . . .

Second, the Court’s reasoning fails on its own terms because there are material differences between the cable systems at issue in *Teleprompter*
Corp. v. Columbia Broadcasting System, Inc., 415 U.S. 394, 94 S.Ct. 1129, 39 L.Ed.2d 415 (1974), and Fortnightly Corp. v. United Artists Television, Inc., 392 U.S. 390, 88 S.Ct. 2084, 20 L.Ed.2d 1176 (1968), on the one hand and Aereo on the other. The former (which were then known as community-antenna television systems) captured the full range of broadcast signals and forwarded them to all subscribers at all times, whereas Aereo transmits only specific programs selected by the user, at specific times selected by the user. The Court acknowledges this distinction but blithely concludes that it “does not make a critical difference.” Ante, at ——. Even if that were true, the Court fails to account for other salient differences between the two technologies. Though cable systems started out essentially as dumb pipes that routed signals from point A to point B, see ante, at ——, by the 1970’s, that kind of service “no longer exist[ed],” Brief for Petitioners in Columbia Broadcasting System, Inc. v. Teleprompter Corp., O.T. 1973, No. 72–1633, p. 22. At the time of our Teleprompter decision, cable companies “perform[ed] the same functions as ‘broadcasters’ by deliberately selecting and importing distant signals, originating programs, [and] selling commercials,” id., at 20, thus making them curators of content—more akin to video-on-demand services than copy shops. So far as the record reveals, Aereo does none of those things.

Third, and most importantly, even accepting that the 1976 amendments had as their purpose the overruling of our cable-TV cases, what they were meant to do and how they did it are two different questions—and it is the latter that governs the case before us here. The injury claimed is not violation of a law that says operations similar to cable TV are subject to copyright liability, but violation of §106(4) of the Copyright Act. And whatever soothing reasoning the Court uses to reach its result (“this looks like cable TV”), the consequence of its holding is that someone who implements this technology “perform[s]” under that provision. That greatly disrupts settled jurisprudence which, before today, applied the straightforward, bright-line test of volitional conduct directed at the copyrighted work. If that test is not outcome determinative in this case, presumably it is not outcome determinative elsewhere as well. And it is not clear what the Court proposes to replace it. . . .
Making matters worse, the Court provides no criteria for determining when its cable-TV-lookalike rule applies. Must a defendant offer access to live television to qualify? If similarity to cable-television service is the measure, then the answer must be yes. But consider the implications of that answer: Aereo would be free to do exactly what it is doing right now so long as it built mandatory time shifting into its “watch” function. Aereo would not be providing live television if it made subscribers wait to tune in until after a show’s live broadcast ended.

Two other criteria come to mind. One would cover any automated service that captures and stores live television broadcasts at a user’s direction. That can’t be right, since it is exactly what remote storage digital video recorders (RS–DVRs) do, see Cartoon Network, 536 F.3d, at 124–125, and the Court insists that its “limited holding” does not decide the fate of those devices, ante, at ---- – ----. The other potential benchmark is the one offered by the Government: The cable-TV-lookalike rule embraces any entity that “operates an integrated system, substantially dependent on physical equipment that is used in common by [its] subscribers.” Brief for United States as Amicus Curiae 20. The Court sensibly avoids that approach because it would sweep in Internet service providers and a host of other entities that quite obviously do not perform.

That leaves as the criterion of cable-TV-resemblance nothing but th’ol’ totality-of-the-circumstances test (which is not a test at all but merely assertion of an intent to perform test-free, ad hoc, case-by-case evaluation). It will take years, perhaps decades, to determine which automated systems now in existence are governed by the traditional volitional-conduct test and which get the Aereo treatment. (And automated systems now in contemplation will have to take their chances.) The Court vows that its ruling will not affect cloud-storage providers and cable-television systems, see ante, at ---- – ----, but it cannot deliver on that promise given the imprecision of its result-driven rule.

3

I share the Court’s evident feeling that what Aereo is doing (or enabling to be done) to the Networks’ copyrighted programming
ought not to be allowed. But perhaps we need not distort the Copyright Act to forbid it. As discussed at the outset, Aereo’s secondary liability for performance infringement is yet to be determined, as is its primary and secondary liability for reproduction infringement. If that does not suffice, then (assuming one shares the majority’s estimation of right and wrong) what we have before us must be considered a “loophole” in the law. It is not the role of this Court to identify and plug loopholes. It is the role of good lawyers to identify and exploit them, and the role of Congress to eliminate them if it wishes. . . .

Notes and Questions

1. Is Imposing Liability for Retransmissions “Exacting Multiple Tribute”? In Twentieth Century Music Corp. v. Aiken, 422 U.S. 151 (1975), the Court considered whether a business establishment’s playing of the radio was a “performance” under the 1909 Act. It stated that “generally copyright holders can and do receive royalties in proportion to advertising revenues of licensed broadcasters, and a broadcaster’s advertising revenues reflect the total number of its listeners, including those who listen to the broadcasts in public business establishments.” Thus, the Court reasoned, “[t]o hold that [the owner of a restaurant playing a radio station’s broadcast as
background music] ‘performed’ these musical compositions would be to authorize the sale of an untold number of licenses for what is basically a single public rendition of a copyrighted work. The exaction of such multiple tribute would go far beyond what is required for the economic protection of copyright owners . . . .”

The Copyright Act of 1976 repudiated this logic and made it clear that someone who retransmitted free broadcast television or radio, or who played it in a public place, was also publicly performing whatever copyrighted works were contained in the broadcasts (although, as we will see below, Congress also specifically and controversially excepted small business owners like the defendant in *Aiken*). But it did not articulate a theory for imposing such liability. Is there a good theory, or was the *Aiken* Court correct that it can only be described as “exact[ing] multiple tribute”? Consider and evaluate the following possible arguments:

- Restaurant, bar and store owners who are playing background music are effectively charging customers for listening to that music. Though the owners may nominally be charging only for the food, drinks, and other goods, customers are actually interested in the entire experience of being in those establishments, including the music they’re listening to, and they are paying for that experience. When a commercial establishment is extracting a different kind of value out of music by bundling it with food, drink, decor, etc. and selling it, the creator of the music should be able to receive some of that value. That should be true even if the customers are listening to advertisements, although they may not be listening as closely to them in a busy restaurant, in conversation with friends.

- Because there is imperfect competition between cable and satellite companies, they are able to charge subscribers rates that reflect, not just the bare cost of passing on broadcast TV signals, but some of the value that the subscribers place on viewing the copyrighted TV programs. If they are charging viewers for watching programming that is under copyright, then the owners of copyright should share in those revenues.

2. Distinguishing Public from Private Performances: Will
Ownership and Possession of Copies Do the Trick? The Aereo Court reasons that although each transmission from Aereo to a subscriber may have been made using a copy that was individual to that subscriber, that did not make the performances private, because the subscribers did not own or possess the copies that were used to effectuate the transmission. Does that change the public performance holding in the Cartoon Network case, excerpted on p. 897 of the casebook? Do Cablevision subscribers have ownership or possession of the copies stored for them on Cablevision’s Remote Storage DVR system? Do you have ownership or possession of copies that you uploaded to a cloud storage service?

3. Distinguishing Direct from Secondary Liability: Will “Volitional Conduct” Work? Suppose that a company builds a traditional cable television system that retransmits broadcast television signals received by an antenna. However, it does not immediately turn the system on. Rather, it builds an “off/on” switch for the entire system that is turned on by a telephone call to a particular number. It then takes pre-orders for service, and notifies all of those who have pre-ordered service that any of them can call the telephone number and turn the system on. According to the dissent, is the cable company not directly liable for copyright infringement?

4. How Textualist is the “Volitional Conduct” Test? Justice Scalia places a lot of weight on the requirement of “volitional conduct” to distinguish direct and indirect infringement. The term “volitional conduct” never appears in the Copyright Act. Scalia argues, however, that the “requirement is firmly grounded in the Act’s text,” because it “defines ‘perform’ in active, affirmative terms.” Do you agree?

5. Selection and Arrangement as Volitional Acts. Volitional acts that trigger direct liability for infringement are ordinarily acts that immediately implicate one of the exclusive rights, aren’t they? If pressing the “start” button on the copier is a sufficient volitional act to result in direct liability, for example, is because it immediately results in unauthorized copying of a protected work and therefore violates the reproduction right. The dissent in Aereo distinguishes
Aereo from Netflix on the ground that Netflix selects and arranges the audiovisual works that subscribers can stream on demand. Suppose that a company selects and arranges movies it will offer to stream on demand, and builds a website with streaming capabilities, but not a single person actually subscribes and streams a movie. Assuming that the company did not make unauthorized copies of the movies while preparing to stream (suppose that it was going to stream from authorized DVDs it had purchased legally, like zediva.com did), has its volitional selection and arrangement made it directly liable for copyright infringement even in the absence of any streaming? Suppose that a year later, the company’s first subscriber finally decides to stream one of the movies that the company decided a year earlier it would offer for streaming. Now are both the subscriber and the company directly liable for infringement of the public performance right?

6. How Passive was Aereo? If selection and arrangement are sufficient volitional acts, are we sure that Aereo did not select and arrange? Aereo did decide where it would place its antennas for each market in which it operated, and thereby selected which television channels would be available to its subscribers. The Federal Communications Commission runs an online tool for estimating the strength of digital television signals at locations across the United States. See DTV Transition Maps, http://transition.fcc.gov/mb/engineering/dtvmaps/. Entering a zip code for the Manhattan neighborhood of Harlem – 10027 – results in a list of strong, moderate, weak, and missing signals that only partially overlaps the list produced by entering the zip code for the Brooklyn neighborhood of Park Slope – 11215 – even though they are both in New York City. If Aereo made a decision about which channels were likely more important to its target customers, and sited its antennas accordingly, should that count as selection? Aereo also provided an online program guide to its subscribers. Doesn’t that count as arrangement?

7. Textualism. Justices Breyer and Scalia have been debating the proper role of legislative history in statutory interpretation for over two decades. See, e.g., Sherman, The Use of Legislative History: A Debate
Between Justice Scalia and Judge Breyer, 16 Administrative Law News 1 (1991) (describing a March 11, 1991 debate between Scalia and Breyer); Stephen G. Breyer, On the Uses of Legislative History in Interpreting Statutes, 65 S. Cal. L. Rev. 845 (1992). Are those different views outcome-determinative here? In your opinion, does a “textualist” interpretation of the Copyright Act lead to a ruling in favor of Aereo, and a “purposive” reading resting on legislative history lead to a ruling in favor of the plaintiffs?

8. Rules of Lenity and Preferences for Individual Responsibility. If a statutory provision is ambiguous and it is wrong to look to legislative history to resolve the ambiguity, but a judge has to decide the case, what should he do? Other than flipping a coin, the only possibility would seem to be to resort to “canons of construction,” rules that prefer one reading of statutes over another. Under the “rule of lenity,” for example, ambiguities in criminal statutes are resolved in favor of the defendant, on the theory that people deserve clear notice of potential criminal liability, and that there should be a presumption in favor of liberty and freedom of action. Should there also be a rule of lenity applicable to civil statutes, and if so, how strong should it be? How much does a presumption in favor of liberty and a concern about notice motivate the dissenters? A concern for liberty is often associated with a preference for individual liability for bad acts and against prophylactic regulation. Does that preference also influence the dissent? If the Court’s decision against Aereo stopped some individuals from watching television programming that was in the public domain, should we be worried about that loss of liberty?

10. Rules versus Standards. Justice Scalia has also long been on record as strongly preferring clear rules over multi-factor standards and balancing tests. See Antonin Scalia, The Rule of Law as a Law of Rules, 56 U. Chicago L. Rev. 1175 (1989). Is he right to be worried that the Court’s ruling in Aereo adopts a “looks-like-cable-TV” test that is “merely assertion of an intent to perform test-free, ad hoc, case-by-case evaluation”? Can you articulate clearer rules or factors that constitute the holding of the Aereo Court?
II. Aereo Suspends its Service, Tries to Qualify as a Cable Company. Three days after the Supreme Court issued its decision in *Aereo*, Aereo suspended its service indefinitely. See Emily Steel, “Stung by Supreme Court, Aereo Suspends Service,” The New York Times, June 28, 2014. Having failed in its attempt to retransmit broadcast television without any license, Aereo then decided to tender payment to the Copyright Office for a statutory license under 17 U.S.C. § 111, arguing that it qualified as a cable television company and was therefore entitled to the benefit of the § 111 statutory license. The Copyright Office responded in a letter to Aereo dated July 16, 2014:

In the view of the Copyright Office, internet retransmissions of broadcast television fall outside of the scope of the Section 111 statutory license. Significantly, in *WPIX, Inc. v. ivi, inc.*, 691 F.3d 275 (2d Cir. 2012), the Second Circuit deferred to and agreed with the Office's interpretation of Section 111. As explained in that case, Section 111 is meant to encompass “localized retransmission services” that are “regulated as cable systems by the FCC.” *Id.* at 284 (quoting 57 Fed. Reg. 3284, 3292 (Jan. 29, 1992)).

Letter from Jacqueline C. Charlesworth, General Counsel, United States Copyright Office to Mr. Matthew Calabro, Aereo, Inc., July 16, 2014. The Copyright Office thus decided not to process Aereo’s statements of account, though it accepted them provisionally in recognition of pending litigation and administrative action. See *id.*

Go Online
To see the entire letter responding to Aereo’s submission of statements of account and payment for a § 111 license, click here.
Copyright in the Real World

Music on the Campaign Trail

When Donald Trump emerged to introduce his wife on the first night of the 2016 Republican Convention, he did so to the strains of the song *We Are the Champions* by Queen. Queen was not pleased and protested publicly. A few days later when Trump’s daughter Ivanka emerged to introduce her father, she did so to the strains of *Here Comes the Sun* by the Beatles. The heirs of George Harrison were not pleased and protested publicly. When Mike Huckabee travelled to Kentucky to celebrate the release from jail of a local clerk who refused to issue marriage licenses to gay couples, the song *Eye of the Tiger* by Survivor blared in the background. Survivor was not pleased and sued. The problem is not new. Jackson Browne sued John McCain for using *Running on Empty* in commercials in 2008 and back in 1984 Bruce Springsteen objected when Ronald Reagan wanted to use his *Born in the USA* as a campaign theme song (Reagan was apparently either indifferent to, or clueless about, the real meaning of the lyrics, which are a bitter lament by a down-and-out Vietnam veteran).

Politicians (or the Millennials who work for them as part of their advance teams) find using catchy popular music to energize voters during the course of a campaign to be irresistible. The question that might pop into the mind of a curious copyright student is whether this is legal.

For the most part the answer is yes, at least in terms of copyright law. Before delving into details, recall the basic notion that a recording usually will embody two works – a musical composition, and the specific rendition or performance of that composition, known as a sound recording. Recall further that the Copyright Act does not grant a general performance right to sound recordings. As a result, the only copyright issues that could arise with the unauthorized use of a song during a campaign event would concern the underlying composition.

First, consider the easiest case – the performance of a particular song at some indoor venue such as a stadium or auditorium. From the perspective of copyright law this should not pose any issues. Virtually
all such venues have blanket performing licenses from all of the relevant Performing Rights Organizations (ASCAP, BMI, SESAC and GMR), so they are allowed to perform any musical compositions they wish.

It is possible, however that the composers or performers might feel that the use of their music acts as a sort of claim of endorsement. A claim of that sort is essentially an allegation that the candidate is making a false claim of sponsorship.

Such a claim would be brought under a federal statute called the Lanham Act – a statute that also brings us federal trademark law. To prevail on such a claim the musicians would have to show that most persons listening were likely to be confused into thinking that the singers or composers supported the candidate, which is likely to be difficult to prove if the song is merely played once as a candidate walks on stage to greet the adoring masses. On the other hand, if the song is used repeatedly throughout the campaign – as was the case, for example, with the use of Fleetwood Mac’s Don’t Stop Thinkin’ About Tomorrow during Bill Clinton’s 1992 campaign – the inference of sponsorship might become considerably stronger. (In that specific case, the Clinton campaign never requested permission to use the song, but the band was generally sympathetic to Clinton’s candidacy and never objected to the use).

If the song is played at an outdoor venue without a public performance license – as was the case with Huckabee event in Kentucky – then the campaign cannot fall back on PRO license to immunize it from copyright infringement claims. However, in such a case, the campaign could argue that the performance of the song was either a fair use or came within the exception to the public performance right for non-profit performances in § 110(4) of the Copyright Act. If the event is being transmitted over the airwaves, the non-profit exemption does not apply, because the performance must be “otherwise than in a transmission to the public.” Assuming it is not transmitted, the further issue would be whether there was any compensation paid to any of the “organizers” of the performance. Since the performance is presumably organized by paid campaign
staffers you might think that is a problem, but the general rule is that if employees are not paid primarily to organize performances, that does not make the exemption unavailable.

In the case of Huckabee and Clerk Kim Davis, Survivor frontman Frankie Sullivan was so incensed at the use of the band’s song that he posted on Facebook the tart observation that “I would not grant her the rights to use Charmin!” His music publisher, Rude Music, subsequently sued Huckabee for President, Inc. (you can read the brief complaint by clicking here). The Huckabee campaign raised the non-profit performance exception as an affirmative defense in its answer. They also argued that the performance was exempt because the event was a “religious assembly,” noting that “the most prominent artifacts present and visible at the September 8, 2015, assembly in support of Mrs. Davis were numerous Christian crosses or crucifixes and occasional Bibles held by members of the public in attendance.” (you can read the answer by clicking here). As yet a third defense, they asserted that the performance of the song was protected by the fair use doctrine. Eventually the Huckabee campaign settled for $25,000, so we lack the guidance of a formal ruling on these three claims. While your editors are dubious about the religious assembly defense, the other two arguments seem far from frivolous.

Consequently in most cases, there should be no serious problems with using music – at least occasionally – at campaign events from a copyright point of view. Of course, if a politician wants to incorporate a previously recorded song into a television commercial that would implicate the reproduction rights of both the musical composition and the sound recording that are involved. The unlicensed use of the recording in that instance would be a clear case of infringement.

From a political and public relations point of view, however, most candidates for office would rather not be taken off message by having to respond to the protests of popular musicians who publicly object to the use of their tunes. Without being too cynical, it is likely the case that the musicians, in most instances, command greater public respect and affection than the politicians.
D. Performing Rights Organizations

p. 942 – Insert after first full sentence

In 2013 music executive Irving Azoff, in collaboration with Madison Square Garden Entertainment, formed a new performing rights organization called Global Music Rights. Although to date Global Music Rights represents only a small group of fewer than 100 songwriters, these writers are among the most successful in the industry, and their compositions have been recorded by a host of music superstars including Beyonce, Kid Rock, Madonna and Taylor Swift.

p. 946 – insert after Note 3:

4. Regulated versus Unregulated PROs. The two smaller PROs – SESAC and GMR – do not operate under antitrust decrees. That means that the royalty rates they charge are not subject to judicial oversight. This has caused some writers and music publishers to move from the larger more established organizations to the unregulated entities in order to secure higher royalty payouts. One recent example is Pharrell Williams, who left ASCAP in 2014 and moved to GMR. While the nuances of antitrust law are well beyond the scope of this copyright text, here is a quick brain teaser -- if large numbers of songwriters migrate to SESAC and GMR, should those groups be sued by the Justice Department under the antitrust laws so that they, too, could be put under judicial rate supervision? If that happens would a fifth or sixth PRO spring up? If the number of PROs proliferates and music users need licenses from all of them, does that defeat the purpose of having PROs in the first place?

5. Should the Blanket Have Holes? With the rise of large digital performing entities usually called “new media services” (think Pandora, iHeart radio or Spotify), copyright owners of musical compositions became quite eager to negotiate direct licensing deals with these kinds of users rather than allow them to obtain blanket licenses through the PROs at regulated rates. Toward that end, starting in 2011 several large music publishers “withdrew” from
ASCAP and BMI the right to license new media services. In 2012 Pandora, confronted with increased royalty demands from these publishers, applied to the “rate court” for a ruling that the PRO’s were obligated to offer them licenses. The rate court sided with Pandora. Eventually, the Second Circuit sided with Pandora, observing

Appellants contend that publishers may withdraw from ASCAP its right to license their works to certain new media music users (including Pandora) while continuing to license the same works to ASCAP for licensing to other users. We agree with the district court’s determination that the plain language of the consent decree unambiguously precludes ASCAP from accepting such partial withdrawals. The decree’s definition of “ASCAP repertory” and other provisions of the decree establish that ASCAP has essentially equivalent rights across all of the works licensed to it. The licensing of works through ASCAP is offered to publishers on a take-it-or-leave-it basis. As ASCAP is required to license its entire repertory to all eligible users, publishers may not license works to ASCAP for licensing to some eligible users but not others.

Pandora Media, Inc. v. American Soc. of Composers, Authors and Publishers, 785 F.3d 73 (2d Cir. 2015). The publishers then petitioned the Justice Department seeking their consent to a modification of the terms of the consent decree to allow “partial withdrawals.” In June of 2016 the Justice Department refused to agree to these requested amendments. See Jeff John Roberts, The Music Industry Just Lost A Big Fight With the Government Over Royalties, Fortune Online (June 30, 2016).


F. State-Law Public Performance Rights for pre-1972 Sound Recordings

When Congress granted federal copyright protection to sound recordings in the Sound Recording Act of 1971, it expressly made that
protection applicable only to sound recordings fixed on or after February 15, 1972, while preserving existing state-law protection for sound recordings fixed before that date. See Sound Recording Act of 1971 § 3, Pub. L. 92-140, 85 Stat. 391, 392 (1971). A few decades later, in The Uruguay Round Agreements Act, Pub. L. 103-465, 108 Stat. 4809 (1994), Congress conferred federal copyright protection on pre-1972 sound recordings that were of foreign origin and still under copyright in their countries of origin, but it left domestic pre-1972 sound recordings without federal protection. Current federal copyright law will subject all sound recordings to federal copyright law on February 15, 2067. Until that date, the statute preserves state-law protection for these recordings. See 17 U.S.C. § 301(c).

The preservation of state-law protection for pre-1972 sound recordings leads to the question: what rights does the law of various states provide for such recordings? Nearly all states now have criminal statutes prohibiting piracy of sound recordings, which became especially popular after the California record piracy statute was upheld against a federal preemption challenge in Goldstein v. California, 412 U.S. 546 (1973); but these kinds of laws are focused on commercial reproduction and distribution. See United States Copyright Office, Federal Copyright Protection for Pre-1972 Sound Recordings 20-28 (2011). A few states have civil laws that address the protection of pre-1972 sound recordings, but these tend to be quite general in nature, and do not specify the precise rights to be granted to sound recording owners. For example, the California statute provides that “the author of an original work of authorship consisting of a sound recording . . . has an exclusive ownership therein,” but it does not outline the contours of that ownership, aside from providing that it does not apply to sounds independently fixed. Cal. Civ. Code § 980(a)(2) (West 2014). Thus, in most states, the scope of protection for pre-1972 sound recordings is a matter of common law, and even the statutes in those states that have them require interpretation so extensive that it is quite similar to common-
law adjudication.

For many decades, it was assumed that pre-1972 sound recordings did not enjoy public performance rights under state law. You will recall that this is the case for post-1972 recordings covered by the current federal copyright statute, except in the case of digital transmissions. Consequently, broadcasters did not pay royalties to authors or owners of pre-1972 sound recordings when they broadcast those recordings. The only royalties flowing from performances of sound recordings were flowing to owners of musical works embodied in those sound recordings, see 17 U.S.C. §§ 102(2), 106(4), and since 1996 to owners of copyright sound recordings fixed on or after February 15, 1972 for digital audio transmission of those records. See 17 U.S.C. § 106(6).

Recently, however, a litigation campaign by two of the founding members of the musical group “The Turtles” (whose biggest hit was the 1967 song “Happy Together”) has seen some success. Two Federal District courts, applying, respectively, New York and California law, have come to the conclusion that pre-1972 sound recordings enjoy state-law protection that includes public performance rights. See Flo & Eddie Inc. v. Sirius XM Radio, Inc., 62 F.Supp.3d 325 (S.D.N.Y. 2014); on motion for reconsideration, 2014 WL 7178134 (S.D.N.Y.); Flo & Eddie Inc. v. Sirius XM Radio, Inc., 2014 WL 4725382 (C.D. Cal.). (Another District Court in California has somewhat dubiously held that “remastering” a pre-1972 recording – adjusting levels in the original recording, or remixing original multitrack recordings, with enough creativity to create a derivative work – removes all state-law protection, and makes the recording subject entirely to federal copyright law. See ABS Entertainment, Inc. v. CBS Corp., No. 2:15-cv-06257-PA-AGR (C.D. Cal. May 30, 2016)).

The Southern District of New York noted that “the conspicuous lack of any jurisprudential history confirms that not paying royalties for public performances of sound recordings was an accepted fact of life in the broadcasting industry for the last century.” It also acknowledged that recognition of common-law copyright in already existing pre-1972 sound recordings would not provide an economic incentive to create new recordings, and that recognition of a
general public performance right in pre-1972 sound recordings would, somewhat paradoxically, protect pre-1972 recordings more broadly than more recent recordings. However, it concluded that New York law did not grant common law copyright protection only as an incentive for the creation of new works, and that New York courts might recognize a public performance right that was limited to digital audio transmissions (which would apply to the defendant, Sirius XM Radio, which engages in digital satellite broadcasts). As for the more fundamental question, it held that

general principles of common law copyright dictate that public performance rights in pre–1972 sound recordings do exist. New York has always protected public performance rights in works other than sound recordings that enjoy the protection of common law copyright. Sirius suggests no reason why New York—a state traditionally protective of performers and performance rights—would treat sound recordings differently.

Id. at 344.

The Central District of California’s opinion in its Flo & Eddie case is structured somewhat differently, because it has a statutory provision to construe – the section of the California Civil Code mentioned above, which grants “an exclusive ownership” in sound recordings to their authors. That provision does contain one exception, which tracks the wording of § 114(b) of the federal Copyright Act. It provides that rights in sound recordings do not extend to making or duplicating “another sound recording . . . that consists entirely of an independent fixation of other sounds, even though such sounds imitate or simulate those in the copyrighted sound recording.” Cal. Civ. Code § 980(a)(2) (West 2014); 17 U.S.C. § 114(b). The court concludes “that the legislature intended ownership of a sound recording in California to include all rights that can attach to intellectual property, save the singular, expressly-stated exception for making ‘covers’ of a recording.” The Southern District of New York also makes use of this form of argument, contending that both New York common law and the federal Copyright Act “support[t] the notion that an express carve-out is required in order to circumscribe the bundle of rights appurtenant to copyright.”
By contrast, the Southern District of Florida held that Florida law does not grant public performance rights to pre-1972 sound recordings. The court reasoned that Florida did not have a statute like California, nor did it have multiple judicial decisions granting other public performance rights like New York. Thus, concluded the court, ruling for the plaintiffs “would be creating a new property right in Florida as opposed to interpreting the law,” and that should be an issue “for the Florida legislature.” *Flo & Eddie Inc.*, 2015 WL 3852692, at *5. It noted that recognition of right of public performance would raise many complicated issues that a legislature would be in a better position to resolve, “including: (1) who sets and administers the licensing rates; (2) who owns a sound recording when the owner or artist is dead or the record company is out of business; and (3) what, if any, are the exceptions to the public performance right.” Both the New York and the Florida decisions were appealed, and the respective appellate courts both decided to certify questions regarding the scope of common-law protection of sound recordings to the highest state courts. See *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, 821 F.3d 265 (2d Cir. 2016); *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, 2016 WL 3546433 (11th Cir. June 29, 2016). As of this writing, we are still awaiting the state courts’ responses.

Do you think that any of the District Courts comes to a better conclusion, or a better supported conclusion, than the others? Can the different outcome in the Florida case really be explained by the different statutes and decisions in the states concerned, or did the courts have fundamentally different attitudes towards judicial lawmaking? Do you think it makes sense to refer to a default “complete” bundle of rights in a sound recording as encompassing “all rights that can attach to intellectual property,” as the California court did? Would that default bundle include a right to prohibit private performances of a sound recording, or a right to prohibit performances of portions of the sound recording in a college music class made for the purpose of analyzing the music in the recording? On the other hand, is it really so hard for a court to create limitations to a right, and to resolve ownership issues, once it recognizes that right? In the areas of
real and personal property, courts have over time created a very rich set of common law rules (sometimes now altered by statutes) that include limitations on property rights, and that resolve issues of ownership.

If courts decide to change the common law, should they come out and say it, rather than pretending to find that the law was always there? The Southern District of New York states that “acquiescence by participants in the recording industry in a status quo where recording artists and producers were not paid royalties while songwriters were does not show that they lacked an enforceable right under the common law—only that they failed to act on it.” Is it possible that if owners of copyright in sound recordings had only thought to file lawsuits claiming state law protection against broadcasters eight or nine decades ago—instead of concentrating on intensive and unsuccessful lobbying of legislatures, which they did—sound recording copyright owners could have collected hundreds of millions of dollars from broadcasters? Note also that on this interpretation, when Congress adopted the 1976 Act it would have been taking away a valuable economic right held by recording artists in New York (because the new federal law specifically denies a general performance right to sound recordings), but it would have done so without any discussion in the legislative history.

In its 2011 report on federal copyright protection for pre-1972 sound recordings, the Copyright Office recommended that Congress extend federal protection to those recordings. See United States Copyright Office, Federal Copyright Protection for Pre-1972 Sound Recordings 120-138 (2011). Do you think that is a good idea? Do the differing outcomes in the Flo & Eddie cases create another reason for favoring federal protection? In April, 2015, Representative Jerrold Nadler (D-NY) introduced the “Fair Play Fair Pay Act of 2015” in the House of Representatives. See H.R. 1733, 114th Cong. (2015). That legislation would extend federal copyright protection to pre-1972 sound recordings, and would also grant a general public performance right to all sound recordings under copyright, thus ending a nearly century-long period during which analog broadcasters did not have to
pay royalties for performing sound recordings. Similar bills have been introduced over the past several years. As of this writing, no hearings have been held on the Nadler bill and it has no co-sponsors.

Chapter 13  Remedies
A. Damages: Compensation and Restitution
1. Actual Damages

p. 968 – insert after Note 3:

3A. Lump Sum versus Per Unit Royalty. In negotiated copyright license agreements, parties sometimes agree to a flat payment for use of a work regardless of how many copies the licensee decides to make, but in other cases, the licensee agrees to pay a per unit royalty, which could be a specified amount per unit sold, or a percentage of the sale price. If the work is being used without permission and the court must determine damages, how should it determine which approach is appropriate? In Gaylord v. United States, 777 F.3d 1363 (Fed. Cir. 2015) a sculptor named Frank Gaylord created several statutes depicting a column of soldiers on the march as a major component of the Korean War Veterans memorial. In 2002, to mark the 50th anniversary of the Korean conflict, the U.S. Postal Service (USPS) decided to issue a commemorative stamp. The stamp featured a photograph of Gaylord’s sculptures. The USPS paid the photographer $1500 for rights to the photo, but they did not obtain Gaylord’s permission to use the underlying
sculptural images. Gaylord sued for copyright infringement in 2006. After several appeals, Gaylord prevailed and the case returned to the Court of Federal Claims for an assessment of damages.

The sticking point became how much he was owed for stamps that had been purchased (presumably by stamp collectors) but never used. The lower court found that USPS made $5.4 million dollars from such sales, which it characterized as “almost pure profit” and it awarded a 10% royalty on those sales as appropriate damages. On appeal, the USPS argued that its own past practice was never to pay a per-unit royalty, so that the award in question did not represent the result of a hypothetical negotiation between the parties – the supposed standard for fixing damages. However, the lower court made a factual finding that the USPS would have departed from its usual practice in this case because it had determined that no other image would work for the stamp. The Federal Circuit refused to disturb that finding on appeal. The appellate court also noted that the 10% royalty rate was consistent with what Gaylord had received from negotiated licensing arrangements for use of pictures of the sculpture on such items as t-
shirts and other collectables. Do you think most stamp collectors bought the stamp because they thought Gaylord’s sculpture was particularly artistic? What motivates stamp collectors to buy stamps? Could the USPS have found a public domain photo of troops in Korea – say one taken by a government employee – and have used that instead? Should that have made a difference in calculating the damage award?

2. Profits
p. 980 – Insert after Note 3:

3A. Copyright Profits and Sex Trafficking. Backpage.com is a website that allows users to post classified advertisements for goods and services in the same fashion as on Craigslist. It has frequently been identified as a major venue for sex trafficking. In Jane Doe No. 1 v. Backpage.com, LLC, 817 F.3d 12, 28 (1st Cir. 2016), three women, suing pseudonymously, alleged that Backpage facilitated sex trafficking by allowing traffickers to advertise in the “Escorts” section of the site. Their lawsuit included claims under the Trafficking Victims Protection Reauthorization Act (TVPRA), the Massachusetts Anti-Human Trafficking and Victim Protection Act (MATA), and several other state and federal statutes. The factual allegations in the complaint were truly horrific, including claims that

beginning at age 15, each of the appellants was trafficked through advertisements posted on Backpage. Jane Doe # 1 was advertised on Backpage during two periods in 2012 and 2013. She estimates that, as a result, she was raped over 1,000 times. Jane Doe # 2 was advertised on Backpage between 2010 and 2012. She estimates that, as a result, she was raped over 900 times. Jane Doe # 3 was advertised on Backpage from December of 2013 until some unspecified future date. As a result, she was raped on numerous occasions. All of the rapes occurred either in Massachusetts or Rhode Island. Sometimes the sex traffickers posted the advertisements directly and sometimes they forced the victims to post the advertisements.
Typically, each posted advertisement included images of the particular appellant, usually taken by the traffickers (but advertisements for Doe # 3 included some pictures that she herself had taken).

Doe #3 asserted a claim for copyright infringement with regard to the unauthorized use of the photos which she had taken. Because the photos had not been registered prior to the alleged acts of infringement statutory damages were unavailable. The court found that she was not entitled to any recovery for actual damages because it concluded that no facts had been alleged suggesting that there had been a diminution in the value of the photograph. It also rebuffed plaintiff's claim for profits. Plaintiff argued that some portion of Backpage's profits were attributable to the use of the photo, but the court found this argument unconvincing, noting that “a generalized assertion that a publisher/infringer profits from providing customers with the option to display photographs in advertisements, standing alone, cannot plausibly be said to link the display of a particular image to some discrete portion of the publisher/infringer's profits.” (The court also rejected a claim for injunctive relief finding that there was no substantial likelihood of future infringements.)

C. Attorneys’ Fees

p. 994-1000 – Replace Matthew Bender & Co., Inc. v. West Publishing Co. and the accompanying notes with the following:

**Kirtsaeng v. John Wiley & Sons, Inc.**

Supreme Court of the United States, 2016
136 S.Ct. 1979
Justice KAGAN delivered the opinion of the Court.

Section 505 of the Copyright Act provides that a district court “may ... award a reasonable attorney’s fee to the prevailing party.” 17 U.S.C. § 505. The question presented here is whether a court, in exercising that authority, should give substantial weight to the objective reasonableness of the losing party’s position. The answer, as both decisions below held, is yes—the court should. But the court must also give due consideration to all other circumstances relevant to granting fees; and it retains discretion, in light of those factors, to make an award even when the losing party advanced a reasonable claim or defense. Because we are not certain that the lower courts here understood the full scope of that discretion, we return the case for further consideration of the prevailing party’s fee application.

I

Petitioner Supap Kirtsaeng, a citizen of Thailand, came to the United States 20 years ago to study math at Cornell University. He quickly figured out that respondent John Wiley & Sons, an academic publishing company, sold virtually identical English-language textbooks in the two countries—but for far less in Thailand than in the United States. Seeing a ripe opportunity for arbitrage, Kirtsaeng asked family and friends to buy the foreign editions in Thai bookstores and ship them to him in New York. He then resold the textbooks to American students, reimbursed his Thai suppliers, and pocketed a tidy profit.

Wiley sued Kirtsaeng for copyright infringement, claiming that his activities violated its exclusive right to distribute the textbooks. See 17 U.S.C. §§ 106(3), 602(a)(1). Kirtsaeng invoked the “first-sale doctrine” as a defense. That doctrine typically enables the lawful owner of a book (or other work) to resell or otherwise dispose of it as he wishes. See § 109(a). But Wiley contended that the first-sale doctrine did not apply when a book (like those Kirtsaeng sold) was manufactured abroad.

At the time, courts were in conflict on that issue. Some thought, as
Kirtsaeng did, that the first-sale doctrine permitted the resale of foreign-made books; others maintained, along with Wiley, that it did not. And this Court, in its first pass at the issue, divided 4 to 4. See *Costco Wholesale Corp. v. Omega, S.A.*, 562 U.S. 40, 131 S.Ct. 565, 178 L.Ed.2d 470 (2010) (*per curiam*). In this case, the District Court sided with Wiley; so too did a divided panel of the Court of Appeals for the Second Circuit. See 654 F.3d 210, 214, 222 (2011). To settle the continuing conflict, this Court granted Kirtsaeng’s petition for certiorari and reversed the Second Circuit in a 6–3 decision, thus establishing that the first-sale doctrine allows the resale of foreign-made books, just as it does domestic ones. See *Kirtsaeng v. John Wiley & Sons, Inc.*, 568 U.S. ––, ––, 133 S.Ct. 1351, 1355–1356, 185 L.Ed.2d 392 (2013).

Returning victorious to the District Court, Kirtsaeng invoked § 505 to seek more than $2 million in attorney’s fees from Wiley. The court denied his motion. Relying on Second Circuit precedent, the court gave “substantial weight” to the “objective reasonableness” of Wiley’s infringement claim. See No. 08–cv–07834 (S.D.N.Y., Dec. 20, 2013), App. to Pet. for Cert. 18a, 2013 WL 6722887, *4. In explanation of that approach, the court stated that “the imposition of a fee award against a copyright holder with an objectively reasonable”—although unsuccessful—“litigation position will generally not promote the purposes of the Copyright Act.” *Id.*, at 11a (quoting *Matthew Bender & Co. v. West Publishing Co.*, 240 F.3d 116, 122 (C.A.2 2001) (emphasis deleted)). Here, Wiley’s position was reasonable: After all, several Courts of Appeals and three Justices of the Supreme Court had agreed with it. See App. to Pet. for Cert. 12a. And according to the District Court, no other circumstance “over[ro]de” that objective reasonableness, so as to warrant fee-shifting. *Id.*, at 22a. The Court of Appeals affirmed, concluding in a brief summary order that “the district court properly placed ‘substantial weight’ on the reasonableness of [Wiley’s] position” and committed no abuse of discretion in deciding that other “factors did not outweigh” the reasonableness finding. 605 Fed.Appx. 48, 49, 50 (C.A.2 2015).

We granted certiorari, 577 U.S. ––, 136 S.Ct. 890, 193 L.Ed.2d 783
(2016), to resolve disagreement in the lower courts about how to address an application for attorney’s fees in a copyright case.

II

Section 505 states that a district court “may ... award a reasonable attorney’s fee to the prevailing party.” It thus authorizes fee-shifting, but without specifying standards that courts should adopt, or guideposts they should use, in determining when such awards are appropriate.

In *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994), this Court recognized the broad leeway § 505 gives to district courts—but also established several principles and criteria to guide their decisions. See id., at 519, 114 S.Ct. 1023 (asking “what standards should inform” the exercise of the trial court’s authority). The statutory language, we stated, “clearly connotes discretion,” and eschews any “precise rule or formula” for awarding fees. Id., at 533, 534, 114 S.Ct. 1023. Still, we established a pair of restrictions. First, a district court may not “award[] attorney’s fees as a matter of course”; rather, a court must make a more particularized, case-by-case assessment. Id., at 533, 114 S.Ct. 1023. Second, a court may not treat prevailing plaintiffs and prevailing defendants any differently; defendants should be “encouraged to litigate [meritorious copyright defenses] to the same extent that plaintiffs are encouraged to litigate meritorious claims of infringement.” Id., at 527, 114 S.Ct. 1023. In addition, we noted with approval “several nonexclusive factors” to inform a court’s fee-shifting decisions: “frivolousness, motivation, objective unreasonableness[,] and the need in particular circumstances to advance considerations of compensation and deterrence.” Id., at 534, n. 19, 114 S.Ct. 1023. . . .

The parties here, though sharing some common ground, now dispute what else we should say to district courts. . . . Wiley argues that giving substantial weight to the reasonableness of a losing party’s position will best serve the Act’s objectives. See Brief for Respondent 24–35. By contrast, Kirtsaeng favors giving special consideration to whether a
lawsuit resolved an important and close legal issue and thus “meaningfully clarif[ied]” copyright law. Brief for Petitioner 36; see id., at 41–44.

We join both parties in seeing a need for some additional guidance respecting the application of § 505. In addressing other open-ended fee-shifting statutes, this Court has emphasized that “in a system of laws discretion is rarely without limits.” Flight Attendants v. Zipes, 491 U.S. 754, 758, 109 S.Ct. 2732, 105 L.Ed.2d 639 (1989); see Halo Electronics, Inc. v. Pulse Electronics, Inc., --- U.S. ----, ----, 136 S.Ct. 1923, 1931, --- L.Ed.2d ----, 2016 WL 3221515 (2016). . . . At the least, utterly freewheeling inquiries often deprive litigants of “the basic principle of justice that like cases should be decided alike,” Martin, 546 U.S., at 139, 126 S.Ct. 704—as when, for example, one judge thinks the parties’ “motivation [s]” determinative and another believes the need for “compensation” trumps all else, Fogerty, 510 U.S., at 534, n. 19, 114 S.Ct. 1023. And so too, such unconstrained discretion prevents individuals from predicting how fee decisions will turn out, and thus from making properly informed judgments about whether to litigate. For those reasons, when applying fee-shifting laws with “no explicit limit or condition,” Halo, --- U.S. at, ----, ---- S.Ct., at ----, ante, at 8, we have nonetheless “found limits” in them—and we have done so, just as both parties urge, by looking to “the large objectives of the relevant Act,” Zipes, 491 U.S., at 759, 109 S.Ct. 2732 (internal quotation marks omitted); see supra, at 1985 – 1986.

In accord with such precedents, we must consider if either Wiley’s or Kirtsaeng’s proposal well advances the Copyright Act’s goals. . . .

The objective-reasonableness approach that Wiley favors [will predictably encourage useful copyright litigation] passes that test because it both encourages parties with strong legal positions to stand on their rights and deters those with weak ones from proceeding with litigation. When a litigant—whether plaintiff or defendant—is clearly correct, the likelihood that he will recover fees from the opposing (i.e., unreasonable) party gives him an incentive to litigate the case all the
way to the end. The holder of a copyright that has obviously been infringed has good reason to bring and maintain a suit even if the damages at stake are small; and likewise, a person defending against a patently meritless copyright claim has every incentive to keep fighting, no matter that attorney's fees in a protracted suit might be as or more costly than a settlement. Conversely, when a person (again, whether plaintiff or defendant) has an unreasonable litigating position, the likelihood that he will have to pay two sets of fees discourages legal action. The copyright holder with no reasonable infringement claim has good reason not to bring suit in the first instance (knowing he cannot force a settlement and will have to proceed to judgment); and the infringer with no reasonable defense has every reason to give in quickly, before each side's litigation costs mount. All of those results promote the Copyright Act's purposes, by enhancing the probability that both creators and users (i.e., potential plaintiffs and defendants) will enjoy the substantive rights the statute provides.

By contrast, Kirtsaeng's proposal would not produce any sure benefits. We accept his premise that litigation of close cases can help ensure that “the boundaries of copyright law [are] demarcated as clearly as possible,” thus advancing the public interest in creative work. Brief for Petitioner 19 (quoting Fogerty, 510 U.S., at 527, 114 S.Ct. 1023). But we cannot agree that fee-shifting will necessarily, or even usually, encourage parties to litigate those cases to judgment. Fee awards are a double-edged sword: They increase the reward for a victory—but also enhance the penalty for a defeat. And the hallmark of hard cases is that no party can be confident if he will win or lose. That means Kirtsaeng's approach could just as easily discourage as encourage parties to pursue the kinds of suits that “meaningfully clarif[y]” copyright law. Brief for Petitioner 36. It would (by definition) raise the stakes of such suits; but whether those higher stakes would provide an incentive—or instead a disincentive—to litigate hinges on a party's attitude toward risk. . . . And Kirtsaeng offers no reason to think that serious gamblers predominate. [citations omitted] So the value of his standard, unlike Wiley's, is entirely speculative.

What is more, Wiley's approach is more administrable than
Kirtsaeng’s. A district court that has ruled on the merits of a copyright case can easily assess whether the losing party advanced an unreasonable claim or defense. That is closely related to what the court has already done: In deciding any case, a judge cannot help but consider the strength and weakness of each side’s arguments. By contrast, a judge may not know at the conclusion of a suit whether a newly decided issue will have, as Kirtsaeng thinks critical, broad legal significance.

. . . Kirtsaeng claims that the reasonableness inquiry systematically favors plaintiffs because a losing defendant “will virtually always be found to have done something culpable.” Brief for Petitioner 29 (emphasis in original). But that conflates two different questions: whether a defendant in fact infringed a copyright and whether he made serious arguments in defense of his conduct. Courts every day see reasonable defenses that ultimately fail (just as they see reasonable claims that come to nothing); in this context, as in any other, they are capable of distinguishing between those defenses (or claims) and the objectively unreasonable variety. And if some court confuses the issue of liability with that of reasonableness, its fee award should be reversed for abuse of discretion.

All of that said, objective reasonableness can be only an important factor in assessing fee applications—not the controlling one. As we recognized in *Fogerty*, § 505 confers broad discretion on district courts and, in deciding whether to fee-shift, they must take into account a range of considerations beyond the reasonableness of litigating positions. See *supra*, at 1985. That means in any given case a court may award fees even though the losing party offered reasonable arguments (or, conversely, deny fees even though the losing party made unreasonable ones). For example, a court may order fee-shifting because of a party’s litigation misconduct, whatever the reasonableness of his claims or defenses. See, e.g., *Viva Video, Inc. v. Cabrera*, 9 Fed.Appx. 77, 80 (C.A.2 2001). Or a court may do so to deter repeated instances of copyright infringement or overaggressive assertions of copyright claims, again even if the losing position was reasonable in a particular case. See, e.g., *Bridgeport Music, Inc. v. WB Music*
Corp., 520 F.3d 588, 593–595 (C.A.6 2008) (awarding fees against a copyright holder who filed hundreds of suits on an overbroad legal theory, including in a subset of cases in which it was objectively reasonable). Although objective reasonableness carries significant weight, courts must view all the circumstances of a case on their own terms, in light of the Copyright Act’s essential goals.

And on that score, Kirtsaeng has raised serious questions about how fee-shifting actually operates in the Second Circuit. To be sure, the Court of Appeals’ framing of the inquiry resembles our own: It calls for a district court to give “substantial weight” to the reasonableness of a losing party’s litigating positions while also considering other relevant circumstances. See 605 Fed.Appx., at 49–50; Matthew Bender, 240 F.3d, at 122. But the Court of Appeals’ language at times suggests that a finding of reasonableness raises a presumption against granting fees, see ibid.; supra, at 1983 – 1985—and that goes too far in cabining how a district court must structure its analysis and what it may conclude from its review of relevant factors. Still more, district courts in the Second Circuit appear to have overly learned the Court of Appeals’ lesson, turning “substantial” into more nearly “dispositive” weight. As Kirtsaeng notes, hardly any decisions in that Circuit have granted fees when the losing party raised a reasonable argument (and none have denied fees when the losing party failed to do so). See Reply Brief 15. For these reasons, we vacate the decision below so that the District Court can take another look at Kirtsaeng’s fee application. In sending back the case for this purpose, we do not at all intimate that the District Court should reach a different conclusion. Rather, we merely ensure that the court will evaluate the motion consistent with the analysis we have set out—giving substantial weight to the reasonableness of Wiley’s litigating position, but also taking into account all other relevant factors.

Notes

1. Certainty or Flexibility: What Will it Be? The Kirtsaeng Court seems to be torn in two directions, doesn’t it? On the one hand, the Court favors the “objective reasonability” standard because of its
predictability and administrability. On the other hand, the Court suggests that the objective reasonableness of the losing party’s position should not even create a presumption against granting fees. Instead, courts should feel free to consider a variety of other factors. The Court does even not even purport to construct an exhaustive list of those factors, but merely mentions a number of nonexclusive examples. These include “frivolousness, motivation, . . . and the need in particular circumstances to advance considerations of compensation and deterrence,” and also “litigation misconduct” and “repeated instances of copyright infringement or overaggressive assertions of copyright claims, . . . even if the losing position was reasonable in a particular case.” Doesn’t that undermine predictability? As a District Court, how much weight should you give objective reasonableness after this decision? When are you giving too little, and when too much?

2. Litigation Misconduct: Do Prevailing Parties Have a License to Misbehave? Although § 505 does not explicitly mention litigation misconduct as a ground for awarding attorneys’ fees, the Kirtsaeng Court is quite sure that it should be. Should the Court be so confident? Consider the fact that a prevailing party could also engage in misconduct during litigation. For example, its counsel might not have been so sure it could win, and might have engaged in various tactics solely to increase the litigation costs of the defendant in order to pressure it into a settlement. Yet the Copyright Act does not allow an award of attorneys’ fees to a nonprevailing party for any reason. Should that be a sign that Congress did not intend to award fees to either party on the basis of litigation conduct, or did Congress intend to give prevailing parties a free pass with regard to their improper litigation conduct, while creating liability for such conduct for nonprevailing parties? Should the litigation misconduct of a prevailing party be a reason for denying it or reducing an award of attorneys’ fees even when the position of the nonprevailing party was objectively unreasonable?

3. Should parties be punished in one case for their actions in other cases? The Kirtsaeng Court states that one factor weighing in favor
of an award of attorneys’ fees is “a pattern of infringing conduct or overaggressive assertions of copyright claims on the part of a nonprevailing party, even if in the particular case under consideration, that party’s position was reasonable.” Is it really fair to award attorneys’ fees against a party in a case in which its position was objectively reasonable, just because it took unreasonable positions in other cases? Shouldn’t that be dealt with in those other cases? In the case that the *Kirtsaeng* Court cites in support of the above statement, the nonprevailing party, Bridgeport Music, Inc. continued to press a position on a legal issue after the District Court hearing that case had rejected that position in a companion case. In upholding a partial award of attorneys’ fees, the Sixth Circuit found that “it was futile for Bridgeport to pursue the factually similar claim under the same theory before the same judge and thereby force [the ultimately prevailing party] to incur fees and costs to prepare for trial.” *Bridgeport Music, Inc. v. WB Music Corp.*, 520 F.3d 588, 594 (6th Cir. 2008). The insistence on pursuing that claim while knowing that it would be futile was “part of [Bridgeport’s] overly aggressive litigation tactics and not in any hope or expectation of actually surviving summary judgment.” *Id.* at 595. Isn’t that about what happened in the case at hand, and not some other case?

4. **Does the Registration Requirement for Statutory Damages and Attorney’s Fees Create a Copyright Hierarchy?** Although the 1976 Copyright Act and more recent amendments are widely viewed as having drastically reduced the role of formalities such as registration, in one important respect the 1976 Act increased the significance of registration. Under the 1909 Act, timely registration was not a prerequisite of obtaining statutory damages and attorney’s fees. Under the 1976 Act, it is: successful copyright plaintiffs cannot obtain statutory damages or attorney’s fees unless they registered their works before the commencement of infringement (with a three-month grace period after publication for published works and a few other narrow exceptions). See *17 U.S.C. § 412*. John Tehranian argues that this registration requirement creates a stark hierarchy among copyright owners:
Through formalities, the 1976 Copyright Act actually created two distinct tiers of effective protection for copyrighted works. Sophisticated, routine creators — generally corporations in content creation industries — timely register their works and therefore enjoy generous remedies against infringers. These remedies include the recovery of reasonable attorneys’ fees and the assessment of statutory damages — which can rise to the draconian level of up to $150,000 per willful act of infringement. Absent any proof of actual damages, such plaintiffs can elect statutory damages that quickly create the possibility of a multi-million dollar judgment in their favor. By sharp contrast, unsophisticated creators, like individual artists, typically do not timely register their works and are often left with little except moral force and the uncertain threat of injunctive relief to enforce their intellectual property rights. The dichotomy between sophisticated and unsophisticated creators thereby determines the relative sanctity of copyrighted works.

John Tehranian, The Emperor Has No Copyright: Registration, Cultural Hierarchy, and the Myth of American Copyright Militancy, 24 Berkeley Tech L.J. 1399, 1407 (2009). Does the timely registration requirement unfairly create favored and unfavored classes? Or does it just ruthlessly, if imperfectly, distinguish between those who need an enhanced incentive to create works, and those who don’t?

Chapter 14  Invoking Judicial Power: Jurisdiction, Venue, Standing, Limitations, Preemption, Choice of Law and Related Issues

B. Plaintiff Issues: Standing, Registration and Recordation

p. 1037 – an update to “Copyright in the Real World: A Copyright Litigation Entrepreneur Runs Up Against Standing Rules”:

In Righthaven LLC v. Hoehn, 716 F.3d 1166 (9th Cir. 2013), the Ninth Circuit affirmed the ruling that Righthaven LLC did not have standing to bring suits alleging copyright infringement of articles originally published in the Las Vegas Review-Journal, because the
agreements under which Righthaven claimed to have standing invalidly attempted to assign Righthaven the bare right to sue without transferring any exclusive rights in the articles.

D. Limitation on Actions and General Equitable Defenses

p. 1060 – insert after end of note 6:

7. Can Laches Apply During the Statutory Limitations Period? The Supreme Court Speaks. In a case of continuing infringement, a plaintiff might wait many, many years after a defendant’s first infringing act to file an infringement suit. The Copyright Act’s three-year statute of limitations, 17 U.S.C. § 507(b), would limit the plaintiff to recovering damages for infringing acts that the defendant committed within three years before the suit was filed. Can the defendant argue further that the plaintiff is barred by laches from any recovery, because the defendant was prejudiced by plaintiff’s delay in filing suit? That was the issue in Petrella v. Metro-Goldwyn-Mayer, Inc., 134 S. Ct. 1962 (2014).

In 1963, Frank Petrella co-wrote a screenplay based on the life of boxer Jake LaMotta and assigned copyright in it to MGM, which made the film “Raging Bull” about LaMotta and released it in 1990. Because Frank Petrella died during the initial 1909 Act copyright term, the rights in the renewal term reverted to his heirs. (You may recall that the case in which the Supreme Court decided that renewal term owners had a copyright interest in derivative works made during the initial term was Stewart v. Abend, 495 U.S. 207 (1990), presented in the casebook on p. 742.) His daughter Paula Petrella (hereinafter Petrella) renewed the copyright in 1991 and became its sole owner. Petrella first wrote to MGM in 1998, claiming that MGM’s continuing exploitation of “Raging Bull” infringed her copyright in the screenplay co-written by her father. She did not file an infringement lawsuit until 2009, 18 years after she gained copyright in the screenplay. MGM moved to dismiss the lawsuit, arguing that Petrella’s delay in filing it was unreasonable and prejudicial. The District Court granted the motion, and the Ninth Circuit affirmed.

In a 6-3 decision, the Supreme Court reversed. The Court held
that laches may not be invoked to bar a claim for damages brought within the three-year limitations period of 17 U.S.C. § 507(b). That statute of limitations, it reasoned, already takes account of delay. An infringement plaintiff cannot reach any returns on investment that a defendant realized more than three years before the suit was filed. Moreover, a defendant can deduct from profits made within the three-year period any expenses incurred in generating the profits, and can retain profits attributable to the derivative work it created, as opposed to those attributable to the infringed work. MGM argued that it was unfair for Petrella to wait and see whether “Raging Bull” was profitable before suing, but the Court disagreed:

[T]here is nothing untoward about waiting to see whether an infringer’s exploitation undercuts the value of the copyrighted work, has no effect on the original work, or even complements it. . . . Even if an infringement is harmful, the harm may be too small to justify the cost of litigation.

Id. at 1976. As for possible evidentiary difficulties that might arise after a long delay in filing suit, Congress must have taken those into account when it created the limitations period that it did, and in any event, evidentiary difficulties are as likely to hurt plaintiffs as defendants. Id. at 1976-1977. “In extraordinary circumstances,” held the Court, “the consequences of a delay in commencing suit may be of sufficient magnitude to warrant, at the very outset of the litigation, curtailment of [equitable] relief,” id. at 1977, even though it cannot affect a claim for damages.

Justice Breyer, joined by Chief Justice Roberts and Justice Kennedy, dissented. Among other things, the dissenters agreed with MGM about the potential unfairness of waiting to file suit, and quoted with approval a passage from an opinion by Learned Hand contending that it is

“inequitable for the owner of a copyright, with full notice of an intended infringement, to stand inactive while the proposed infringer spends large sums of money in its exploitation, and to intervene only when his speculation
has proved a success.”

Id. at 1979 (Breyer, J. dissenting) (quoting Haas v. Leo Feist, Inc., 234 F. 105, 108 (S.D.N.Y.1916)).

Which of the opinions, the Opinion for the Court or the dissent, do you think has the more convincing view of the fairness of waiting to sue for infringement?

The prevailing view, at least in the Ninth Circuit, was that renewal term owners would likely not be granted injunctive relief against continued exploitation of derivative works made with authorization during the initial term, but only damages. See Abend v. MCA, Inc., 863 F.2d 1465, 1479 (9th Cir. 1988).

How do you think the likely inability to obtain injunctive relief would have affected Paula Petrella’s decision about the timing of a lawsuit against MGM?

F. Preemption

p. 1072 – replace Note 2 with the following:

2. Preemption and Performers’ Publicity Rights. Actors and athletes routinely appear in copyrighted audiovisual works. Assume that their employment contracts indicate that they are being paid solely for their labor in showing up on the day of the filming or the day of the game, and do not otherwise waive their state-law rights of publicity. Does Toney mean that the copyright owner of the resulting work cannot publicly exhibit it without being liable under state law? If logic suggests that any such application of state law should be preempted, how would you formulate an argument to get to that result?
In *Dryer v. National Football League*, 814 F.3d 938 (8th Cir. 2016), the Eighth Circuit held that the Copyright Act preempted football players’ right of publicity claims based on their appearances in “theme-based audio-visual productions . . . describing significant games, seasons, and players in the NFL’s history.” *Id.* at 941. The Dryer court drew a distinction between “right-of-publicity suit challenging the use of a copyrighted work in a commercial advertisement” and “right-of-publicity suit challeng[ing] the expressive, non-commercial use of a copyrighted work.” *Id.* at 943. While the former “could have purposes unrelated to the aims of copyright law,” the latter “seeks to subordinate the copyright holder’s right to exploit the value of that work to the plaintiff’s interest in controlling the work’s dissemination.” *Id.* The Eighth Circuit agreed with the District Court that the NFL films were “expressive, rather than commercial, speech.” They were not advertisements, because they did not propose a commercial transaction; they did not reference the National Football League as a specific product; and consumer demand for the films demonstrated that they “represent[ed] speech of independent value and public interest,” which meant that “the NFL’s economic motivations alone cannot convert these productions into commercial speech.” *Id.* at 943-944. Previous decisions holding that the Copyright Act preempted right of publicity actions by sports figures include *Ray v. ESPN*, 783 F.3d 1140 (8th Cir. 2015) and *Baltimore Orioles v. Major League Players Association*, 805 F.2d 663 (7th Cir. 1986). Academic commentary on the issue includes Thomas F. Cotter & Irina Y. Dmitrieva, *Integrating the Right of Publicity With First Amendment and Copyright Preemption Analysis*, 33