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**Cowan, Liebowitz & Latman**

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**Copyright Review  
2010**

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*“Recent Developments In Copyright”  
Selected Annotated Cases*

By Robert W. Clarida and Thomas Kjellberg

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**These annotations cover cases reported since our report at  
the 33<sup>rd</sup> Copyright Society Annual Meeting of 2009.**

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**I.**

## II. JURISDICTION AND PROCEDURAL ISSUES

### A. Subject Matter Jurisdiction

*Reed Elsevier v. Muchnick*, 130 S. Ct. 1237 (2010)

Supreme Court held that Section 411(a) registration requirement is not jurisdictional but is merely “claim-processing rule.” Justice Thomas’ opinion analyzed issue under *Arbaugh v. Y & H Corp.*, 546 U.S. 500 (2006), in which Supreme Court articulated “general approach” to deciding whether statutory requirements are jurisdictional: “If the Legislature clearly states that a threshold limitation on a statute’s scope shall count as jurisdictional, then courts and litigants will be duly instructed and will not be left to wrestle with the issue. But when Congress does not rank a statutory limitation on coverage as jurisdictional, courts should treat the restriction as nonjurisdictional in character.” Applying that analysis to Section 411(a), Court found no jurisdictional importance in mere fact that Section 411(a) does, in its last sentence, refer to “the jurisdiction of the court,” because that reference is limited to (non-)effect of intervention by Register on court’s ability to determine registrability: “The word jurisdiction, as used here, thus says nothing about whether a federal court has subject-matter jurisdiction to adjudicate claims for infringement of unregistered works.” Further, Court noted that here, as in *Arbaugh*, Section 411(a) registration requirement is located in provision separate from those granting subject matter jurisdiction; jurisdiction over copyright claims is granted by 28 U.S.C. §§ 1331 and 1338, not by Title 17. Neither of those provisions “conditions its jurisdictional grant on whether copyright holders have registered their works before suing for infringement.” Additionally, Court observed that Section 411(a) expressly permits district courts to hear claims over unregistered works in three situations: where work is not “United States work”; where claim concerns violations of artists’ rights under Section 106A (Visual Artists Rights Act); and where registration of work has been attempted but refused by Copyright Office. Jurisdictional requirements, Court observed in footnote, “can never be forfeited or waived”; thus “[i]t would be at least unusual to ascribe jurisdictional significance to a condition subject to these sorts of exceptions.” Moreover, extensive precedent in copyright cases describing registration requirement as jurisdictional was not dispositive; as Justice Ginsburg noted in concurrence, none of precedent cited by parties on jurisdictional significance of Section 411(a) was Supreme Court precedent entitled to *stare decisis*. Instead, although more than 200 decisions refer to registration requirement as jurisdictional, “not one is from this Court, and most are drive-by jurisdictional rulings that should be accorded no precedential effect.”

*Cosmetic Ideas, Inc. v. IAC/Interactivecorp*, No. 08-56079, 2010 U.S. App. LEXIS 10555 (9th Cir. May 25, 2010)

Ninth Circuit reversed district court’s dismissal of copyright infringement action for lack of subject matter jurisdiction under Section 411(a), finding that receipt by Copyright Office of complete application constitutes “registration” for purpose of 411(a). Plaintiff, jewelry designer, sued defendant for manufacturing and distributing copies of necklace virtually identical to necklace previously manufactured and sold by plaintiff. Plaintiff submitted

application to register copyright in necklace design on March 6, 2008, and on March 12, 2008 received confirmation of receipt from Copyright Office. On March 27, 2008, before registration certificate issued, plaintiff filed suit against Defendant-Appellee alleging infringement of plaintiff's copyright in necklace. District court dismissed plaintiff's claim for lack of subject matter jurisdiction under Section 411(a). Court of Appeals reviewed issue of statutory interpretation *de novo*. Court, applying Supreme Court's intervening 2010 *Reed Elsevier* decision, held that dismissal on subject matter jurisdiction ground was in error. Court then considered defendant's second ground for dismissal, failure to state claim under Section 12(b)(6). Issue of when copyright is registered is subject of circuit split, with "application approach" in Fifth and Seventh Circuits, and "registration approach" in Tenth and Eleventh Circuits. Finding ambiguity in plain language of statute, court considered broader context and purpose of statute as whole, and concluded that "application approach" better fulfills Congress's purpose to provide broad copyright protection while maintaining robust federal register. Application approach avoids unnecessary delay of registration approach, during which time infringement can continue. Application approach permits infringement action to proceed immediately, whereas registration approach requires plaintiff to wait for action by Copyright Office despite fact that it can bring suit eventually, regardless of outcome in Copyright Office. Both approaches equally serve purpose of robust register, because both have equal filing requirements. Registration approach is little more than formality, and can result in loss of ability to sue if Copyright Office does not act before statute of limitations lapses, which result is at odds with policy of retroactive dating of registration to filing date. As to "deference to Register" argument, Court found that registration process and litigation can occur simultaneously with little risk of prejudice, particularly considering pace of litigation. Ninth Circuit therefore held that receipt by Copyright Office of complete application satisfies registration requirement of Section 411(a). In instant case, since Copyright Office received plaintiff's complete application before plaintiff filed suit, court of appeals vacated district court's dismissal and remanded for further consideration.

*Counter Terrorist Group US v. Australian Broad. Corp.*, 91 U.S.P.Q.2d 1281 (S.D.N.Y. 2009)

District Court granted defendants' motion to dismiss copyright infringement action where complete diversity of parties was lacking and complaint failed to allege any acts of infringement within United States. Plaintiff counter-terrorist group alleged that, as part of its "Media Watch" program, defendant Australian Broadcasting Company (ABC) used stolen copyright-protected photograph images belonging to plaintiff in connection with ABC's broadcast of story "Jack of All Trades?" in Australia. Plaintiffs further alleged that ABC refused to remove plaintiff's images from ABC's website. Court noted that, although U.S. copyright law has no extraterritorial application, exception applies where unauthorized manufacture of copyrighted work in U.S. permits further reproduction abroad, or where defendant commits "predicate act" within U.S. Here, however, although plaintiff argued in its brief that unauthorized copying and transmission of plaintiff's images occurred within U.S., plaintiff failed to make such factual allegations in its complaint. Though complaint did allege that certain of defendant parties that resided and were located in U.S. played role in obtaining allegedly stolen photographs, court

refused to infer from these allegations that defendants' acts occurred in U.S. Accordingly, because no federal question was presented, and complete diversity of parties was lacking, court dismissed complaint for lack of subject matter jurisdiction.

*DO Denim, LLC v. Fried Denim, Inc.*, 634 F. Supp. 2d 403 (S.D.N.Y. 2009)

District court granted defendant's motion to dismiss plaintiff's amended complaint for copyright infringement for lack of subject matter jurisdiction because copyright applications relied upon by plaintiff, while fully submitted and paid for, had not yet been accepted or denied by Copyright Office. Plaintiff apparel company, which manufactured and marketed jeans, created "Wing Design" and "Dragon Design" to be stitched onto back of pockets of its jeans. Plaintiff submitted deposit, applicant and application fee for copyright registration for each design, but at time it filed suit, Copyright Office had not yet responded to plaintiff's applications. Defendant produced and sold jeans using copies of plaintiff's Wing and Dragon Designs. Copyright Act provides that "no civil action for infringement of the copyright in any United States work shall be instituted until preregistration or registration of the copyright claim has been made ... however, where the deposit, application, and fee required for registration has been refused, the applicant is entitled to institute a civil action for infringement...." Defendant argued that plaintiff did not have valid registrations for designs, and pending applications had not been refused, at time plaintiff filed action. Defendant argued that court therefore lacked subject matter jurisdiction of copyright claims. Noting that Second Circuit has not squarely addressed whether submission of application, fee and deposit means that registration "has been made," and that some circuits are split, court rejected plaintiff's arguments and dismissed action. Court relied on Tenth Circuit decision in *La Resolana Architects v. Clay Realtors* in finding that statutory language "required for registration" suggests that deposit, application and fee are requirements for registration and therefore do not themselves constitute registration. Moreover, adoption of plaintiff's logic would render alternative condition of refusal of registration superfluous.

*DMBJ Prods. v. TMZ TV*, No. 08-6160, 2009 U.S. Dist. LEXIS 70824 (S.D.N.Y. Aug. 11, 2009)

District court dismissed without prejudice for lack of subject matter jurisdiction. Plaintiff-appellant, owner of copyright in paparazzi video of actress-singer Jennifer Lopez, sued defendant entertainment news providers for copyright infringement, claiming that defendants aired plaintiff's copyrighted video without permission. Defendants moved to dismiss for lack of subject matter jurisdiction because plaintiff had not registered copyright in work with Copyright Office. Plaintiff applied for registration six months after filing complaint. District court held that plaintiff's action, whether for statutory or actual damages, must be dismissed because registration of copyright is jurisdictional prerequisite.

*FurstPerson, Inc. v. Iscopia Software, Inc.*, No. 09-1814, 2009 U.S. Dist. LEXIS 82520 (N.D. Ill. Sept. 10, 2009)

District court granted defendants' motion to dismiss under Rule 12(b)(1) for lack of subject matter jurisdiction. Plaintiff had not yet obtained registration for copyrights. Court rejected

plaintiff's argument that application for copyright registration was sufficient to provide court with jurisdiction over copyright infringement claim; proof of actual registration was required.

*Massingill v. Stream, Ltd.*, No. 08-0091, 2009 U.S. Dist. LEXIS 91959 (N.D. Tex. Oct. 1, 2009)

District court granted defendants' motion to dismiss under Rule 12(b)(1) for lack of subject matter jurisdiction. Registration with Copyright Office is jurisdictional prerequisite to filing infringement action. Fifth Circuit, unlike other circuits, requires only that Copyright Office receive application, deposit and fee before plaintiff files action; proof of registration is not required. Court dismissed action where plaintiff failed to proffer sufficient evidence that Copyright Office received application, fee and deposit copy. "Massingill has produced no file-stamped copy of his application, no certified mail receipt, no copy of transmittal correspondence, no copy of a post-marked envelope in which the application materials were sent, nor any other evidence that would prove that the Copyright Office received his application. The only evidence offered by Massingill is the declaration of his attorney, who states that he deposited the registration materials and a check for the filing fee in the U.S. mail, addressed to the Copyright Office, and that, according to the bank, the check was cashed by some unidentified person."

*Heilman v. Houghton Mifflin Harcourt Pub. Co.*, No. 08-775, 2009 U.S. Dist. LEXIS 76231 (D. Colo. Aug. 25, 2009)

In class action copyright infringement suit, district court granted defendant's motion to dismiss for lack of subject matter jurisdiction as against plaintiff Varnette Honeywood, because she had not registered or preregistered copyrights in "images" that were licensed to defendant publisher. Tenth Circuit law interpreting Section 411(a) required registration or pre-registration as a jurisdictional prerequisite. Plaintiff Honeywood argued that court could exercise supplemental jurisdiction over her claims, which, she argued, were part of same case or controversy with claims of plaintiff Heilman, whose copyrights were registered. Court held that supplemental jurisdiction did not attach, both because it is expressly precluded by Section 411(a) requirement of registration or preregistration, and because plaintiffs' respective cases, which pertained to different works, licenses and acts of alleged infringement, did not share common nucleus of operative fact. Anticipating that Supreme Court, in then not-yet-issued *Reed Elsevier* decision, might alter law with respect to whether Section 411(a) is jurisdictional, court noted that plaintiff Honeywood's properly-filed request for reconsideration on issue would be entertained if Supreme Court altered Tenth Circuit law.

*Scholz Design, Inc. v. Zimmerman*, 92 U.S.P.Q.2d (D. Md. 2009)

District court granted defendants' motion to dismiss infringement claim on grounds of lack of subject matter jurisdiction. Plaintiff architectural design corporation sent defendant architectural design, in which plaintiff had registered copyright claim, for possible use in building defendant's new home. Defendant expressed interest in design but wanted changes made; plaintiff made changes and re-sent defendant amended design, in which plaintiff had not registered copyright claim. Defendant ultimately did not utilize plaintiff's design and

hired local builder, who built her house almost identical to amended design. Plaintiff filed suit against builder and homeowner, alleging infringement of amended design. Defendants filed motion to dismiss, claiming lack of subject matter jurisdiction because amended design was derivative work in which copyright was not registered. Plaintiff countered that amended design was not derivative work, and that it could maintain its action regardless because infringement related to material common to both works. Court held that amended design was derivative work because amended design listed “extensive changes” to bedrooms, garage, basement and laundry room as well as major exterior design alterations. Court further held that plaintiff could not claim infringement based on material common to both designs because its complaint alleged infringement only of amended design, and not of original registered design. Court granted defendants’ motion to dismiss, with leave to file amended complaint properly alleging infringement of original registered design.

*Charles F. Vatterott Construction Co. v. Esteem Custom Homes, LLP*, No. 09-303, 2010 U.S. Dist. LEXIS 50286 (E.D. Mo. May 21, 2010)

Court granted plaintiff’s motion for reconsideration. Court found that, under *Reed Elsevier v. Muchnick*, 130 S. Ct. 1237 (2010), it had subject matter jurisdiction over copyright infringement claim, where plaintiff filed application to register works at issue prior to filing action, but registration had not issued at time of filing action. Court previously granted defendant’s motion to dismiss for lack of subject matter jurisdiction. Plaintiff filed motions for reconsideration, and sought leave to amend complaint to update status of copyright registrations. Under *Reed Elsevier*, court reasoned, registration requirement in 17 U.S.C. § 411(a) is not jurisdictional, but rather “precondition for filing a claim that does not restrict a federal court’s subject-matter jurisdiction.” Court found that it could no longer “dismiss a copyright infringement claim based on lack of subject matter jurisdiction due to failure to register the copyright at issue.” Court did not rule on issue of whether copyright registration must have issued before filing of copyright infringement claim; that, court found, was issue of whether plaintiff’s registration was sufficient, which was not raised by defendant, and *Reed Elsevier* does not indicate whether such issue may be raised *sue sponte*. Court granted plaintiff leave to amend complaint to reflect change in copyright registration status, and relate complaint back to its original date. Since effective date of plaintiff’s registration was before original date of complaint, issue of whether registration must have issued before copyright infringement suit can be filed would become moot after amendment of complaint.

*Giddings v. Vision House Prod. Inc.*, No. 05-2963, 2009 U.S. Dist. LEXIS 54931 (D. Ariz. June 11, 2009)

District court denied defendant’s motion for attorneys’ fees for lack of subject matter jurisdiction. Plaintiff’s complaint for copyright infringement was dismissed for lack of subject matter jurisdiction. Defendant filed motion for costs and attorneys’ fees. Court held that, in Ninth Circuit, if district court lacks subject matter jurisdiction with regard to underlying claim, then it also lacks subject matter jurisdiction over claim for costs and attorney’s fees with respect to underlying claim. Further, fee-shifting provision of substantive statute does not confer subject matter jurisdiction where it is otherwise absent.

*Sierra-Pascual v. Pina Records, Inc.*, 660 F. Supp. 2d 196 (D.P.R. 2009)

District court denied defendant's motion for summary judgment for lack of subject matter jurisdiction based on invalid registration, finding that errors in application relating to failure to disclose possible co-ownership or work for hire contribution were immaterial to determination of copyright validity, and finding material issues of fact relating to defendant's allegations of fraud. Plaintiff recording artist filed copyright infringement action against defendant, alleging unauthorized publication and distribution of song *Noche Triste*. Defendant record company moved for summary judgment dismissing plaintiff's claim based on, *inter alia*, lack of subject matter jurisdiction, arguing that plaintiff's registration was invalid because plaintiff failed to list alleged co-authors on application. Defendant also alleged creation of *Noche Triste* by third party Rafael Cardona (D.J. Raf) as work for hire, and argued copyright was invalid because plaintiff failed to include work for hire agreement in application. Court rejected both arguments. As to co-authors, court found mistakes such as incorrect dates of creation or failure to list all co-authors were immaterial because such errors would not affect Copyright Office's decision to issue registration certificate. Although inaccuracies in registration may bar actions for infringement, "immaterial, inadvertent errors in an application for copyright registration do not jeopardize the validity of the registration." Court also held that, with work for hire, person for whom work was prepared is considered author, so inclusion of work for hire agreement in application would not have led Copyright Office to refuse application, and was not ground to invalidate copyright. Although fraudulent misstatements could invalidate copyright, defendant offered no proof of willful or deliberate misstatement. Court therefore denied defendant's motion for summary judgment on ground of invalid registration.

## **B. Personal Jurisdiction and Venue**

*Brayton Purcell, LLP v. Recordon & Recordon*, 575 F.3d 918 (9th Cir. 2009)

Ninth Circuit affirmed denial of motion to dismiss for improper venue. Plaintiff sued defendant for copyright infringement, alleging that defendant had "willfully, deliberately and knowingly used Plaintiff's copyrighted work for the purpose of promoting its business and attracting new business in the field of elder abuse law, in competition with Plaintiff." Court employed three-prong test from *Schwarzenegger v. Fred Martin Motor Co.*, 374 F.3d 797 (9th Cir. 2004), to determine whether Recordon had sufficient minimum contacts to be susceptible to personal jurisdiction: "(1) The non-resident defendant must purposefully direct his activities or consummate some transaction with the forum or resident thereof; or perform some act by which he purposefully avails himself of the privilege of conducting activities in the form, thereby invoking the benefits and protections of its laws; (2) the claim must be one which arises out of or relates to the defendant's forum-related activities; and (3) the exercise of jurisdiction must comport with fair play and substantial justice, *i.e.* it must be reasonable." First prong of test is satisfied by "either purposeful availment or purposeful direction"; since purposeful direction test is most often used in tort suit, it was proper analytical framework for this case. Court evaluated purposeful direction test using three-part "effects" test from *Calder v. Jones*, 465 U.S. 783 (1984), whereby defendant must have

allegedly “(1) committed an intentional act, (2) expressly aimed at the forum state, (3) causing harm that the defendant knows is likely to be suffered in the forum state.” First prong was easily satisfied by defendant’s creation and posting of elder law section on its website that infringed plaintiff’s copyright. With regard to second prong, court found that, “[t]aking Brayton Purcell’s allegations and statements as true, Recordon individually targeted Brayton Purcell by making commercial use of Brayton Purcell’s copyrighted material for the purpose of competing with Brayton Purcell for elder abuse clients” and thus “expressly aimed its conduct at the Forum by individually targeting a known forum resident.” Third prong was satisfied in that it was foreseeable that plaintiff would be harmed by infringement of its copyright, including harm to its business reputation and goodwill, and decreased profits. It was also foreseeable that some of this harm would occur in forum, where plaintiff was known to reside.

*Marvel Worldwide, Inc. v. Kirby*, No. 10 Civ. 141, 2010 U.S. Dist. LEXIS 38701 (S.D.N.Y. Apr. 14, 2010)

District court denied motion by defendants Lisa and Neal Kirby to dismiss case as against them for lack of personal jurisdiction. Defendants were heirs of Jack Kirby, who “collaborated with other individuals engaged by Marvel to contribute to the creation of many now-treasured comic books, featuring such familiar and enduring characters as the Fantastic Four, the Incredible Hulk and the X-Men.” Defendants sent termination notices relating to works to Marvel. Marvel sued seeking declaration that Kirby contributions to works were works for hire, and that termination notices were invalid. On Rule 12(b)(2) motion, plaintiff “bears the burden of showing that the court has jurisdiction over the defendant.” In opposing pre-discovery motion to dismiss, plaintiff need only make *prima facie* showing that non-domiciliary defendants are amenable to personal jurisdiction in New York. Inquiry under N.Y. C.P.L.R. § 302(a)(1) involves two elements: first, did non-domiciliary defendant “transact business” in New York; and second, does plaintiff’s claim against defendant arise out of that activity? Court found that defendants, acting collectively, “transacted business” in New York within meaning of C.P.L.R. when they “dispatched a multitude of self-executing Termination Notices to Marvel entities and licensees in New York in September 2009.” Unlike cease-and-desist letter, which merely warns party that he may be infringing another’s intellectual property rights, termination notices confer transactional personal jurisdiction over non-domiciliaries because they alter status quo between parties, requiring recipient to take legal action or lose intellectual property rights. Defendants knew or reasonably should have known that by sending termination notices into New York, they were running risk of suit in New York in connection with that activity. Court rejected defendants’ argument that because Copyright Act required them to serve termination notices on Marvel in New York, service of notices did not constitute availing of New York laws. Relevant question was not whether defendants’ contacts with New York were voluntary, but whether defendants purposefully projected their interests into State. Here, court found, they “plainly did just that.” Requirement that plaintiff’s cause of action must arise out of defendants’ contacts with forum was easily met, court found. There was unquestionably substantial relationship between sending of notices to New York and Marvel’s claim that notices were invalid. Moreover, underlying dispute involved works that were “created in New York while

Kirby lived in New York, pursuant to work assignments given by Marvel to Kirby in New York, delivered to editors and publishers in New York, and for which Kirby received payment in New York.”

*Royalty Network, Inc. v. Dishant.com, LLC*, 638 F. Supp. 2d 410 (S.D.N.Y. 2009)

District court granted defendants’ motion to dismiss for lack of personal jurisdiction under Rule 12(b)(2). Plaintiff, music administrator for foreign recording company, brought copyright infringement claims against defendants, operators of website that provided users with unauthorized access to music produced and owned by plaintiff’s principal. Court lacked jurisdiction under N.Y. C.P.L.R. § 302(a)(1) (“transacts business within state”) because (1) there was no evidence that any New York resident actually registered with website or downloaded material from it, or that defendants did anything to indicate knowing and purposeful transaction with New York visitors; (2) there was no evidence that defendants sold advertisements to New York office of any of its advertisers or that defendants had knowledge that any of those advertisers were headquartered in New York; and (3) there was no nexus between defendants’ registration of domain name in New York and instant litigation. Court also lacked jurisdiction under N.Y. C.P.L.R. § 302(a)(3)(ii) (“tortious act without state that causes injury within state”) for lack of reasonable foreseeability, because there was no evidence that defendants knew that New York company held copyright interests in music at issue, that defendants purposefully targeted state’s Indian American population, or that defendants otherwise intended to target state.

*John Wiley & Sons, Inc. v. Swancoat*, No. 08-5672, 2009 U.S. Dist. LEXIS 71820 (S.D.N.Y. Aug. 14, 2009)

District court denied defendant’s motion to dismiss or transfer venue from New York, where defendant, through his website, allegedly sold and shipped at least seven electronic copies of plaintiff’s copyrighted work to buyers in New York. Plaintiff publishing company, with headquarters in New Jersey, brought copyright infringement action alleging defendant sold electronic copies of plaintiff’s copyrighted books through his website Gannscience.com. Website allowed customers to purchase copies of texts online, and allowed for exchange of contact and mailing information between defendant and customers. Defendant resided in Michigan when he was served, but claimed to be student in Missouri at time he filed motion. Pursuant to 28 U.S.C. 1400(a), plaintiff may bring copyright action in district in which defendant or his agent “reside or may be found,” and defendant “may be found” in any district in which he is subject to personal jurisdiction. Under New York long-arm statute, plaintiff had to show that defendant transacted business in New York, and that there was substantial relationship between that business and plaintiff’s claim. Court noted that sufficient connection can be established when defendant sells single item into New York through his website. Because defendant made several sales of books into New York, and cause of action for copyright infringement directly related to these sales, plaintiff satisfied requirements of long-arm statute. Court also found that jurisdiction here comported with “minimum contacts” and “reasonableness” constitutional due process requirements. Because defendant sold books to New York, received payment for those books, and exchanged

contact and mailing information with New York residents, he could reasonably have been expected to be subject to suit in New York. Court also denied motion to transfer to Missouri where transfer would merely shift burden of inconvenience to plaintiff.

*John Wiley & Sons, Inc. v. Treeakarabenjakul*, No. 09-2108, 2009 U.S. Dist. LEXIS 52819 (S.D.N.Y. June 17, 2009)

District court denied defendant book distributor's motion to dismiss for lack of personal jurisdiction. Plaintiff publishers published and distributed books worldwide. Plaintiffs' U.S. versions were of higher quality and price than comparable versions sold only internationally. Defendant sold non-U.S. versions in U.S. at reduced prices, even though books stated on outside covers that they were not authorized for sale in, and may not be exported to, U.S. Plaintiff sued for copyright infringement after agent purchased books online for shipment to New York. Defendant distributor, based in California, moved to dismiss for lack of personal jurisdiction, claiming it lacked sufficient "minimum contacts" with New York. District court rejected defense, holding that under New York long-arm statute, C.P.L.R. 302(a), "a court may exercise jurisdiction over any non-domiciliary who ... transacts any business within the state or contracts anywhere to supply goods or services in the state." Jurisdiction, court noted, may be based on "single act ... as long as the transaction is purposeful and a substantial relationship exists between the act and claim being brought." Court held that plaintiff fulfilled requirements by showing that defendant purposefully shipped books to New York, and derived benefit from doing so. Court held further that "minimum contacts" test was fulfilled, as New York long-arm statute extends to constitutional limit, and defendant could not show that litigation in New York would be overly burdensome.

*Costar Realty Information, Inc. v. Copier Country New York, LLC*, No. 08 CV 3469, 2009 U.S. Dist. LEXIS 91046 (D. Md. Oct. 1, 2009)

Plaintiff, national commercial real estate information services provider, entered into license agreement with defendant which provided two identified authorized users at defendant Copier Country with access to CoStar's real estate information database. License agreement also contained provisions whereby Copier Country agreed not to provide third parties with access to or use of CoStar database, and agreed not to share identification or passwords provided by plaintiff. License agreement contained forum selection clause whereby defendant agreed to submit to jurisdiction in Maryland. In December 2008, plaintiff filed complaint, alleging defendant Dumann breached online Terms of Use agreement by accessing and using plaintiff's products without authorization; that Dumann infringed CoStar's copyrights by making unauthorized copies of CoStar's databases and photographs; and that Copier Country breached license agreement and contributed to Dumann's infringement by providing Dumann with CoStar's username and password. Defendants moved to dismiss complaint for lack of personal jurisdiction. Defendant Copier Country argued that forum selection clause License Agreement did not provide sufficient contacts with Maryland for Court to exercise personal jurisdiction; defendant Dumann argued that plaintiff failed to allege sufficient facts to support assertion that Dumann entered into contract. plaintiff argued that jurisdiction over both defendants was proper because both

parties consented to jurisdiction by agreeing to contracts containing valid forum selection clauses. Court found that “Defendants have expressly and/or implicitly consented to the jurisdiction of this Court. The CoStar-Copier Country License Agreement and plaintiff’s Terms of Use specifically contain provisions authorizing all lawsuits relating to their enforcement to be brought in a federal court in Maryland. Copier Country signed the License Agreement, and Dumann scrolled through and accepted the Terms of Use the first time it used CoStar products. Even if Dumann neglected to read the Terms of Use the first time it used the product, Dumann was prompted to periodically accept the Terms of Use. Moreover, by using Copier Country’s username and password, Dumann has availed himself of the contractual benefits provided by Copier’s License Agreement with CoStar, which, under a derivative rights theory, may also bind Dumann by the License Agreement’s forum selection clause.” Defendants having failed to demonstrate that CoStar’s forum selection clauses were invalid or unreasonable, clauses were binding upon defendants, court concluded.

*Autodesk Canada Co. v. Assimilate, Inc.*, No. 08-587, 2009 U.S. Dist. LEXIS 89794 (D. Del. Sept. 29, 2009)

Magistrate judge recommended denying with prejudice defendant’s motion for transfer of venue. Plaintiff, company with principal place of business in Montreal, and wholly-owned subsidiary of Delaware corporation, created computer software and related systems for media and entertainment industry. Defendant, Delaware corporation with principal place of business in California, created software program that provided color correction, digital compositing and other editing functions, which plaintiff alleged infringed its user-interface copyrights. Defendant moved to transfer venue from District of Delaware to Northern District of California, arguing disparity of resources between two parties; that defendant did considerable business in California; that California had interest in resolving issues related to copyright infringement by companies operating and selling products in California; and that, although defendant was incorporated in Delaware, it had no offices or employees in Delaware. Relying on Third Circuit law and addressing each of *Jumara* factors, magistrate concluded that venue was proper in either California or Delaware, and defendant did not carry its burden of establishing that convenience and fairness strongly favored transfer to California. Defendant, despite its small size, had sufficient resources to defend in Delaware; did not show that producing documents in Delaware would be difficult; and simply failed to show that participating in litigation in Delaware would present unusual burden.

### C. Pleadings

*Institute For the Development of Earth Awareness v. People for the Ethical Treatment of Animals*, No. 08-6195, 2009 U.S. Dist. LEXIS 78220 (S.D.N.Y. Aug. 28, 2009)

District court granted defendant PETA’s motion to dismiss plaintiff IDEA’s claims for statutory damages and attorneys’ fees where IDEA failed to adequately plead factual allegations of new acts of infringement by PETA following registration of IDEA’s copyright. In or about 1988, IDEA authored and published illustrated work called *The Dreaded*

*Comparison: Human and Animal Slavery.* Subsequent to publication, IDEA and PETA discussed possibility of PETA being granted rights to reprint and distribute IDEA's work, but no agreement was ever reached. IDEA registered copyright in its work in 2006. In its complaint, filed in 2008, IDEA alleged that "since at least 2005 and continuously to the present, PETA has, without authorization ... prepared, reproduced, distributed and publicly displayed certain textual and graphical materials ... copied from and substantially similar to protectable elements" of IDEA's work. PETA argued that IDEA failed to allege in its complaint any new use of IDEA's copyrighted material after IDEA's registration of its copyright, and sought to preclude IDEA from obtaining statutory damages and attorneys' fees. Section 412 bars recovery of statutory damages and attorneys' fees where infringement commenced after first publication and before registration, unless such registration is within three months after first publication. In *Troll v. Uneeda Doll*, Second Circuit explained that "plaintiff may not recover statutory damages and attorney's fees for infringement occurring after registration if that infringement is part of an ongoing series of infringing acts and the first act occurred before registration." Granted first leave to amend, IDEA asserted additional allegation that "PETA had commenced new infringements ... since the effective date of copyright in the Work ...." Court inexplicably found this new allegation could not plausibly give rise to entitlement to relief under *Twombly* pleading standard. Court refused to grant second leave to amend and dismissed claim for statutory damages.

*Plan Pros, Inc. v. Torczon*, No. 08-136, 2009 U.S. Dist. LEXIS 78168 (D. Neb. Sept. 1, 2009)

Plaintiff, company that publishes and sells architectural house designs and plans, filed suit alleging that defendants, including homeowners and non-homeowners, infringed its copyrights. Plaintiff requested injunctive relief against defendant non-homeowners, which extended to structures owned by defendant homeowners. Defendant homeowners filed motion to dismiss amended complaint pursuant to Rule 12(b)(6), contending there were no allegations in amended complaint that defendant homeowners infringed plaintiff's alleged copyright. Court granted defendants' motion to dismiss, holding that amended complaint, even if all allegations therein were construed as true, did not contain viable cause of action against homeowners. Court held that "an injunction in and of itself is not a claim against a party. Plan Pros has not stated any claim whatsoever against the homeowners."

#### **D. Standing**

*Mason v. Jamie Music Publ'g Co.*, 658 F. Supp. 2d 571 (S.D.N.Y. 2009)

Court granted plaintiff's motion for declaratory judgment of copyright ownership in her own name and denied defendant's counterclaim for declaration of copyright ownership. Plaintiff, author of musical composition in 1962 song entitled "Yes I'm Ready," intervened in defendant music publisher's infringement action concerning composition against third parties, and filed motion seeking declaratory judgment that she owned copyright in composition. Simultaneously, plaintiff was finalizing purchase agreement with new music publisher. Defendant argued that plaintiff did not have standing in declaratory judgment

action because she had assigned her rights in purchase agreement. Assignment of copyright by composer to publisher in exchange for royalties established equitable trust relationship, giving composer standing to sue for infringement. Otherwise, beneficial owner's interest in copyright could be diluted or lessened by infringement. Court concluded that plaintiff had standing because language of purchase agreement and evidence of intent of parties to purchase agreement indicated that assignment was not complete, so plaintiff was still owner of copyright and, after assignment was complete, plaintiff would become beneficial owner of copyright in composition.

*Vikon International, Inc. v. Sensorlogic, Inc.*, No. 08-1942, 2009 U.S. Dist. LEXIS 71347 (N.D. Tex. Aug. 12, 2009)

Court declined to assert subject matter jurisdiction over various claims because plaintiff lacked standing. Plaintiff and defendant entered into agreement whereby defendant was to provide all engineering development it designed for plaintiff to plaintiff. District court granted defendant's motion to dismiss for failure to state claim for breach of contract, declaratory judgment, trade secret misappropriation, unjust enrichment and copyright infringement because these claims were based on plaintiff's argument that plaintiff was entitled to "portal software," which court determined was not covered by "engineering development" term in contract between plaintiff and defendant. Court also dismissed plaintiff's argument that, as matter of public policy, court should not prevent plaintiff from bringing copyright infringement claim because plaintiff's failure to register portal software for copyright protection was result of defendant's refusal to give plaintiff portal software code. Since court found plaintiff was not entitled to portal software, court concluded that it lacked subject matter jurisdiction over plaintiff's copyright infringement claim.

#### **E. Miscellaneous**

*Avaya, Inc. v. Telecom Labs, Inc.*, No. 06-2490, 2009 U.S. Dist. LEXIS 82609 (D.N.J. Sept. 9, 2009)

Avaya developed complex telephone systems made up of computers that managed telephones and other communications equipment, connecting that equipment to public telephone networks, which require default passwords to log in. Avaya filed suit against defendants alleging, among other claims, that Telecom gained unauthorized access to Avaya's systems by improperly obtaining login passwords for Avaya products in violation of DMCA. Avaya alleged that defendants obtained default passwords by using computer to unscramble data embedded in each computer system; defendants countered that passwords were well-known in industry and publicly available online. Telecom moved for partial summary judgment dismissing portion of Avaya's DMCA claims. Avaya argued that motion for partial summary judgment was improper because, even if court granted motion, DMCA claim would survive. Avaya argued further that motion was hypothetical, because defendants failed to allege specific instances in which allegedly valid passwords were used on specific computer systems. Defendants argued that Avaya asserted multiple DMCA claims as part of broader DMCA "cause of action," and that dismissal of entire DMCA claim

was not necessary to rise to “cause of action” appropriate for summary judgment; dismissal of any one of individual claims would provide proper basis for motion. Court concluded that summary judgment was not appropriate, noting that granting defendants’ motion would not dispose of any portion of Avaya’s DMCA claims. First, Avaya alleged that defendants accessed Avaya’s computers in ways that were not subject of defendants’ motion; thus, Avaya’s DMCA claims would survive in their entirety. Second, defendants failed to identify any single computer to which alleged conduct was applicable, and were therefore asking court for declaratory judgment.

*Moberg v. 33T, LLC*, 666 F. Supp. 2d 415 (D. Del. 2009)

Court denied defendant’s motion to dismiss complaint for lack of subject matter jurisdiction, where plaintiff, foreign national, created works outside U.S.; works were first posted on foreign website; and plaintiff did not have or apply for U.S. copyright registration. Plaintiff, copyright owner of series of photographs taken in Sweden, first published photographs on German website offering copies of photos for sale. Defendants, U.S. companies, displayed plaintiff’s photographs on websites without permission. Defendants filed motion to dismiss for lack of subject matter jurisdiction, arguing that plaintiff’s photos were “United States works,” and thus subject to Section 411 registration requirement, because photos were “published” simultaneously in U.S. and Germany when plaintiff posted them on German website. Court disagreed. Determination whether photographs were U.S. works depended on (1) whether plaintiff’s posting of photographs on German website was “publication”; and (2) whether “publishing” on website causes photographs to be published in one country, or around world simultaneously. Court, noting that first issue was one of first impression, assumed without deciding that photograph were “published.” Regarding second, court ruled that, as matter of law, photographs were not simultaneously published in U.S. when they were posted on website in Germany. Ruling otherwise would (1) be contrary to Berne Convention purpose of providing protection to authors whose works will be published in many countries, and would subject authors to formalities that Berne seeks to eschew; (2) allow American citizens to infringe foreign copyrights without legal retribution; and (3) be contrary to U.S. law, which, in accord with Berne, provides copyright protection to foreign works without requiring formalities. Consequently, court found, plaintiff’s photographs were not “United States works,” and infringement claim could stand without registration.

*Autodesk Canada Co. v. Assimilate, Inc.*, No. 08-587, 2009 U.S. Dist. LEXIS 89794 (D. Del. Sept. 29, 2009)

Magistrate judge recommended denying defendant’s motions to dismiss and for summary judgment without prejudice. Plaintiff, company with principal place of business in Montreal, and wholly-owned subsidiary of Delaware corporation, created computer software and related systems for media and entertainment industry. Defendant, Delaware corporation with principal place of business in California, created software program that provided color correction, digital compositing and other editing functions, which plaintiff claimed infringed its user-interface copyrights. Defendant filed motions to dismiss and for summary judgment less than two months after complaint was filed and before discovery had begun. Magistrate

found motions to be premature. Magistrate also found that plaintiff had already met its burden of producing evidence establishing genuine disputes of material fact, specifically pointing out that no basis yet existed to determine whether, as matter of law, defendant did not infringe or that plaintiff did not own valid copyright.

### **III. COPYRIGHTABILITY**

#### **A. Originality**

*R.W. Beck, Inc. v. E3 Consulting, LLC*, 577 F.3d 1133 (10th Cir. 2009)

Tenth Circuit reversed summary judgment on copyright infringement claims based on defendant's unoriginality and public-domain arguments. Plaintiff contended that section of defendant's independent engineering report infringed copyrights in two of plaintiff's earlier reports, because language was substantially similar to language in identically-named sections of plaintiff's reports. Defendant argued that plaintiff's reports were unprotected because they were derived from earlier works that had been produced by third parties and, as such, were unoriginal works; or alternatively, that they had entered public domain. As to unoriginal works argument, court found that plaintiff had provided sufficient evidence to show genuine issue of material fact regarding whether language in plaintiff's earlier reports was original to plaintiff. As to public domain argument, court noted that plaintiff had produced evidence that it had registered copyright in its earlier reports and internal documents, and had affixed copyright notices to them. Statutory language under Section 405(a)(2) would deprive work of copyright protection only if it was published before February 28, 1989 without copyright notice.

*Tristar Prods. v. SAS Group, Inc.*, No. 08-6263, 2009 U.S. Dist. LEXIS 94592 (D.N.J. Sept. 9, 2009)

District court denied defendant's motion to dismiss plaintiff's copyright infringement claim under Rule 12(b)(6). Suit involved claim of infringement of infomercial for vegetable peeler. Court rejected defendant's argument that plaintiff's infomercial was comprised of three categories that fall outside of copyright protection: "(1) they demonstrate the functional elements of all vegetable peelers; (2) they constitute scenes a faire which are indispensable to any promotion of a kitchen utensil; and (3) they are examples of material and themes common to all infomercials." While many of specific images and phrases in infomercial were unoriginal if viewed in isolation, "the exact sequence of ideas, images, and themes within the advertisement is original, and it is that which [defendant] copied." Review revealed almost identical sequencing in both infomercials.

## B. Pictorial, Graphic and Sculptural Works

*Lanard Toys Limited v. Novelty, Inc.*, No. 08-55795, 2010 U.S. App. LEXIS 7585 (9th Cir. Apr. 13, 2010)

Ninth Circuit, in unpublished opinion, found no reversible error in district court's ruling, on post-judgment motion, that substantial evidence supported jury findings of valid copyrights in plaintiff's flying toys and their packaging. Defendant contended that plaintiff's "Drop Copter" toy, and launcher handle for "Wild Copter" and "Stunt Plane" toys were uncopyrightable "useful articles" as matter of law. Classification of "useful articles," court stated, requires fact-intensive, case-by-case determination, which should be submitted to jury when there is genuine factual dispute. With respect to "Drop Copter," court reasoned that although child can make helicopter toy fly, such flights simply portray real objects; toys themselves are not capable of actually flying or transporting people or supplies as real helicopters are. Thus, jury could properly have found "Drop Copter" to be copyrightable. With respect to launcher handle, plaintiff at trial presented (1) evidence that "Wild Copter" was registered with Copyright Office within five years from first publication, and was thus entitled to statutory presumption of copyright validity; and (2) expert testimony that "Wild Copter" could have been designed in "a million" other ways, as long as launching mechanism fits inside, while defendant failed to present any expert testimony or other relevant evidence to overcome statutory presumption of validity, or prove that plaintiff's toys were not subject to copyright protection. Therefore, Ninth Circuit concluded, district court did not err in sustaining jury's finding of valid copyrights.

*Lucky Break Wishbone Corp. v. Sears Roebuck & Co.*, No. 08-35933, 2010 U.S. App. LEXIS 7196 (9th Cir. Apr. 7, 2010)

Ninth Circuit affirmed district court's finding that wishbone design met minimal *Feist* standard of originality. Court cited testimony (1) by author of sculptural work that he manipulated graphite electrodes by hand to make wishbone "all nice and round and smooth," or "more attractive and sleek looking"; sanded down "sharp areas," rounded head of wishbone and "thinned up" arms; and (2) by ornithological expert that Lucky Break wishbone had number of elements that distinguished it from natural wishbone and did not serve any functional purpose. It was undisputed, court stated, that these multiple variations were intentional product of author's creativity and aesthetic design; went beyond mere copying and did not serve functional purpose; and were therefore sufficient to constitute original expression. District court thus correctly concluded that Lucky Break had valid copyright in Lucky Break wishbone. Accordingly, court affirmed district court's grant of summary judgment to Lucky Break on question of originality.

*Jonathan Browning, Inc. v. Venetian Casino Resort LLC*, No. 07-3983, 2009 U.S. Dist. LEXIS 93435 (N.D. Cal. Oct. 6, 2009)

Plaintiff alleged that defendants Venetian Casino Resort and Las Vegas Sands infringed plaintiff's copyright in lighting fixtures by contacting plaintiff's manufacturer in China to make copies of fixtures, without plaintiff's permission, for use in defendants' casino hotel

guest rooms. Court found that plaintiff failed to show copyrightable element in lighting fixtures, deferring to Copyright Office's decision in refusing copyright registration because fixtures were useful articles that did not contain any separable copyrightable features. Court thus held that plaintiff failed to establish basic elements of copyright infringement claim. Accordingly, court also held that defendants could not be liable for direct, contributory or vicarious copyright infringement for allegedly inducing or contributing to reproduction of light fixtures by manufacturer. Accordingly, court granted defendants' and denied plaintiff's motions for summary judgment.

*Johnson v. Levi Strauss*, No. 08-461, 2009 U.S. Dist. LEXIS 80630 (S.D. Ohio Aug. 5, 2009)

Court granted defendants' motion to dismiss plaintiff Gregory Walker Johnson's claim of copyright and design patent infringement. Despite plaintiff's ownership of copyright in work entitled "Hip Hop Cell Phone and CD Player Pocket" which plaintiff alleged was for cell phone pocket or CD player pocket invented by plaintiff, court found that plaintiff failed to identify copyrightable work because it could not be inferred from plaintiff's complaint that cell phone pocket contained any original pictorial, graphic, or sculptural work. Further, plaintiff's copyright claim concerning location of cell phone pocket and CD pocket with closure on "hip for clothing and top thigh area and middle thigh area with two pockets on each side for men and women" was functional and pockets constituted useful articles not subject to copyright protection. Court further noted that there were no ornamental or other design elements that were separable from functional elements for copyright protection. Accordingly, court granted defendants' motion to dismiss.

*Huebbe v. Okla. Casting Co.*, No. 06-306, 2009 U.S. Dist. LEXIS 91824 (W.D. Okla. Sept. 30, 2009)

District court denied defendants' motion for partial summary judgment, finding that artistic aspects of plaintiff's sculptural works were conceptually separable from useful articles, lighting fixtures, in which they were incorporated. Plaintiff sculptor sued defendants, manufacturer of gift items including lighting fixtures, for copyright infringement. Defendants argued that plaintiff's works, as useful articles, were not copyrightable. Lacking Tenth Circuit precedent, district court looked to Seventh Circuit's discussion of "conceptual separability" in *Pivot Point*, under which conceptual separability exists if design elements reflect artistic judgment independent of utilitarian functionality. Applying *Pivot Point*, court concluded that facts in evidence supported finding of conceptual separability, and therefore copyrightability, of design elements of plaintiff's lighting fixtures, and therefore denied defendants' motion for summary judgment.

### **C. Compilations and Derivative Works**

*Latimer v. Roaring Toyz, Inc.*, 601 F.3d 1224 (11th Cir. 2010)

Eleventh Circuit rejected defendants' argument that plaintiff's photographs of customized motorcycles were unauthorized derivative works of artwork on motorcycles; artist knew that

artwork would be displayed for maximum public exposure, and therefore granted implied license. In connection with unveiling of ZX-14 sport motorcycle, defendant Kawasaki engaged defendant Roaring Toyz to customize its ZX-14 motorcycles. Roaring Toyz hired independent painter Hathaway to apply custom paint and graphics to motorcycles. Plaintiff photographer Latimer was retained by Kawasaki to photograph customized motorcycles. Latimer subsequently granted permission to Kawasaki to use his copyrighted photos at press event but claimed that authorization was limited to use in screen presentation. During press event, Kawasaki distributed press kits with digital images of Latimer's photographs to about 30 members of media, including representative of *Cycle World* magazine, owned by defendant Hachette. *Cycle World* subsequently published Latimer's photographs in conjunction with article. Roaring Toyz also displayed Latimer's photographs on its website. Latimer brought action for copyright infringement based upon use by Roaring Toyz, Kawasaki and Hachette. Defendants argued, *inter alia*, that Latimer's photographs were "unauthorized derivative works" based upon preexisting protected work, *i.e.*, Hathaway's artwork on motorcycles. Circuit court affirmed rejection of "unauthorized derivative works" argument, finding Hathaway knew work would be publicly displayed and photographed and therefore granted implied license to Kawasaki and Roaring Toyz, and that license extended to Latimer because photographs were taken at direction of Roaring Toyz. In light of finding that work was authorized, court declined to decide whether work was derivative. Circuit court reversed district court's grant of summary judgment to Kawasaki, finding that, while Latimer granted Kawasaki implied license to use photographs, Kawasaki may have exceeded scope of implied license by including photos in digital format in press kits. Finding issues of material fact, Circuit Court remanded to district court.

*Want Ad Digest, Inc. v. Display Advertising, Inc.*, 653 F. Supp. 2d 171 (N.D.N.Y. 2009)

District court granted defendant's motion for summary judgment, holding there was no substantial similarity between plaintiff's selection and arrangement of subheadings and defendant's compilation. Plaintiff produced publications that included classified ads submitted by various individuals. Plaintiff edited and formatted each ad before publishing, with unique arrangement of sub-headings. Defendant initially contracted with plaintiff to run same ads in its publication. Upon termination of contract, defendant established competing publication that included ads identical to those in plaintiff's publication. Plaintiff sued for copyright infringement, claiming, *inter alia*, that defendant infringed its compilation of headings and sub-headings. Two elements must be satisfied to show copyrightable compilation, court noted; (1) work must be collection and assembly of preexisting material or data, and (2) material or data must be selected, coordinated or arranged in original way. Plaintiff satisfied initial prong, but satisfied second prong only to extent of unique arrangement of subheadings by categories of goods to facilitate successful sales. That, accordingly, was only protectible portion of compilation. Court held, however, that there was no substantial similarity between that portion of plaintiff's work and corresponding portion of defendant's work, which arranged sub-headings alphabetically. Court granted defendant's motion for summary judgment.

*Carmichael Lodge No. 2103 v. Leonard*, No. 07-2665, 2009 U.S. Dist. LEXIS 84857 (E.D. Cal. Sept. 16, 2009)

District court granted in part, and denied in part, defendant's motion for summary judgment. Plaintiff, travel guide company, alleged that defendant, former employee, infringed copyrights in two travel guides, which included maps and information on lodges and RV facilities throughout country. Court found that most of material included was factual, and thus unprotectible. Majority of information in guides comprised names, addresses, cities, and phone numbers, none of which is protectible. However, defendant also copied selection of particular categories of RV information, as well as specific notes on locations from plaintiff's guides. Court found that these portions possessed requisite creativity to be protectible, and that jury could find substantial similarity. District court accordingly denied defendant's motion for summary judgment on infringement claim.

*Psychopathic Records, Inc. v. Anderson*, No. 08-13407, 2009 U.S. Dist. LEXIS 75068 (E.D. Mich. Aug. 24, 2009)

Plaintiff Carnival Trade, Inc. was owner of U.S. copyright for "Hatchetman" design, logo associated with hip hop duo Insane Clown Posse, and sold various items of clothing and other goods bearing logo. Defendant held several copyrights for figures bearing striking resemblance to Hatchetman. Plaintiff brought suit against defendant claiming (1) that its Hatchetman copyright predated any of defendant's copyrights; (2) that defendant's copyrights were intentional copies of Hatchetman figure and, thus, were derivative works; (3) that Anderson filed and received copyright registrations without its approval; and (4) that Anderson's creation and marketing of figures and sale of goods with figures thereupon infringed its rights under Hatchetman copyrights. Plaintiff filed motion for default judgment, seeking declaratory judgment that Anderson's six copyrights were invalid, that Anderson be enjoined from making any further representations to third parties that he had rights in subject matter, and injunction prohibiting Anderson or associated third parties from using or exploiting Hatchetman design or any derivative work or reproduction, or holding themselves out as associated with plaintiffs. Court held that plaintiff, as holder of Hatchetman copyright, had exclusive rights to prepare or authorize derivative works. Further, "protection for a work employing preexisting material in which copyright subsists does not extend to any part of the work in which such material has been used unlawfully." Court agreed that defendant had no copyright protection or any rights in any of his putative copyrights, since it appeared that defendant's copyrights were unauthorized derivative works of plaintiff's copyright. Further, court enjoined defendant from making any further representations to third parties that he had rights in subject matter of his copyright registrations, and enjoined defendant from using or exploiting Hatchetman design or any derivative work or reproduction in any way.

*Health Grades, Inc. v. Robert Wood Johnson University Hospital, Inc.*, 634 F. Supp. 2d 1226 (D. Colo. 2009)

On 12(b)(6), court held that plaintiff properly alleged that its 1-, 3- and 5-star rating system and award program for hospitals and healthcare providers were protectable expression. Defendant hospital used star ratings and awards in press releases to promote high ratings it had been given by plaintiff. Noting absence of 10th Circuit guidance, court applied *CCC Inv. Svcs. v. Maclean Hunter Market Reports*, 44 F.3d 61 (2d Cir. 1994), and *CDN v. Kapes*, 197 F.3d 1256 (9th Cir. 1999), to find that ratings and awards were copyrightable because, like car valuations in *CCC* and coin prices in *CDN*, plaintiff's materials "are similarly the product of a creative and original process that is informed by [plaintiff's] judgment and choices on what data to include and how to weight it." Defendant's arguments under merger doctrine were rejected because court found "idea" at issue to be "that of creating rankings for healthcare providers," which can be expressed many ways. Court also declined to withhold protection under short phrases doctrine, relying on dissenting opinion in *Southco v. Kanebridge*, 390 F.3d 276 (3d Cir. 2004), to find that Copyright Office regulation did not create "absolute rule" against protecting short phrases if they were otherwise sufficiently creative and independently created.

*Salestrag Am., LLC v. Zyskowski*, 635 F. Supp. 2d 1178 (D. Nev. 2009)

Court denied defendants' motion to dismiss plaintiff's copyright infringement suit. Plaintiff alleged that content on defendants' webpage was similar to plaintiff's copyrighted compilation of information regarding residential properties in Las Vegas, and also included exact reproductions of content created by plaintiff to inform customers of properties' key attributes. Defendants moved to dismiss on basis that (1) court lacked subject matter jurisdiction to consider infringement action because plaintiff registered 2008 version of compilation rather than 2007 version that defendant allegedly infringed, and (2) plaintiff failed to set forth cognizable copyright infringement claim because compilation was comprised of uncopyrightable facts or ideas as opposed to copyrightable expression. As to registered version argument, court ruled that registration of factual compilation permits complainant to assert infringement claim on underlying work that is owned by complainant and, as such, plaintiff complied with registration requirements. As to failure to state claim, court noted that complaint alleged that, as part of compilation, plaintiff authored additional content informing users of key attributes of each model of residential property in compilation. Court ruled that authoring content regarding key attributes of properties involves greater degree of creativity than alphabetization rejected in *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, (1991) (holding that even a slight amount of creativity is sufficient no matter how crude, humble or obvious it might be).

## IV. OWNERSHIP

### A. Works Made for Hire

*JustMed, Inc. v. Byce*, 600 F.3d 1118 (9th Cir. 2010)

In 1995, Just and Byce, former brothers-in-law, together developed idea of digital audio larynx device. In 1998, Just and Byce together received patent as co-authors of system underlying device. Byce worked on project from 1995 to 1998; Just and his wife formed plaintiff JustMed, Inc. to continue development of project thereafter, and hired Liebler, former business associate, to develop source code for device. Just and Liebler worked full-time developing new hardware prototype and writing source code for project, and were compensated with shares of stock. Meanwhile, Byce accepted position on JustMed's board of directors. In 2004, Byce expressed interest in becoming more involved in company, and ultimately took over Liebler's salary and development of source code. Two days before Just was scheduled to meet with potential merger/buy-out partner, Byce deleted all copies of source code from JustMed's computers. JustMed filed suit against Byce. District court held that JustMed owned software program as work made for hire; Byce wrote source code as employee, not independent contractor. Ninth Circuit affirmed finding that Byce was employee, noting that "the contemplated duration of the relationship, the tasks Byce did for JustMed, the fact that Byce earned a salary from JustMed, and the nature of JustMed's business all support the finding that Byce was an employee." Court drew "guidance in weighing the factors from JustMed's status as a technology start-up company." Byce's strongest argument turned on JustMed's tax treatment of Byce, as well as JustMed's failure to pay benefits and fill out appropriate employment forms. However, court found that JustMed's treatment of Byce with regard to taxes, benefits and employment forms was more likely "attributable to the start-up nature of the business than to Byce's alleged status as an independent contractor."

*Huebbe v. Okla. Casting Co.*, No. 06-306, 2009 U.S. Dist. LEXIS 91852 (W.D. Okla. Sept. 30, 2009)

District court granted plaintiff's motion for partial summary judgment, finding that plaintiff was owner of copyrights at issue. Plaintiff sculptor sued defendants, manufacturer of gift items including lighting fixtures, for copyright infringement. Defendants claimed plaintiff had not established ownership, despite owning copyright registrations in works at issue, because works were created by two persons plaintiff identified as independent contractors. Court noted that referring to individual as "independent contractor" is not dispositive of work for hire status, and applied Supreme Court's *Community for Creative Non-Violence v. Reid* test, looking to common law agency principles to assess whether works were works for hire. Court found that one creator was "employee" for purposes of work for hire doctrine and, if not, had assigned to plaintiff all rights in works, including right to prosecute accrued causes of action for infringement. Fact that assignment was executed after plaintiff commenced action was of no consequence. Court found that second creator was also employee for purpose of work for hire doctrine. Finding both creators to be plaintiff's employees, or in

alternative that one had assigned all rights to plaintiff, court granted partial summary judgment to plaintiff on ownership issue.

## **B. Transfer of Ownership**

*Mason v. Jamie Music Publ'g Co.*, 658 F. Supp. 2d 571 (S.D.N.Y. 2009)

Court granted plaintiff's motion for declaratory judgment of copyright ownership in her own name and denied defendant's counterclaim for declaratory judgment of copyright ownership in its own name. Plaintiff, author of musical composition in 1962 song entitled "Yes I'm Ready," intervened in defendant music publisher's infringement action concerning composition against third parties, and filed motion seeking declaratory judgment that she owned copyright in composition. In 1965, plaintiff and defendant entered into Songwriter's Agreement whereby plaintiff assigned to defendant copyright in subsequent compositions, and also copyright in certain prior compositions identified in exhibit to Songwriter's Agreement. Exhibit was omitted from Songwriter's Agreement. Defendant argued that plaintiff nevertheless assigned copyright in composition to defendant through Songwriter's Agreement. Assignment of copyright can be effectuated only by writing signed by assignor. Oral transfer subsequently memorialized in writing may be valid. Transfer agreements should be construed in favor of copyright transferor because policy judgment reflected in transfer provision is that copyright owner should retain all rights unless specifically transferred. Songwriter's Agreement did not specifically identify composition, and ambiguity created by omission of exhibit to Songwriter's Agreement, purportedly identifying prior compositions assigned to defendant, must be construed in favor of plaintiff. Court found unpersuasive defendant's argument that extrinsic evidence of royalty payments to plaintiff for exploitation of composition was proof of assignment. Such evidence, court stated, was equally indicative of license. Even plaintiff's endorsement of checks for royalty payments not referencing "copyright" were not sufficient to satisfy signed writing requirement for transfer of ownership. Accordingly, court concluded copyright was not assigned to defendant in Songwriter's Agreement.

## **C. Termination of Transfers**

*Penguin Group (USA) Inc. v. Steinbeck*, No. 06-2438, 2009 U.S. Dist. LEXIS 113068 (S.D.N.Y. Dec. 2, 2009)

District court granted plaintiff's motion for partial summary judgment, declaring that notice of termination purporting to terminate pre-1978 copyright grants in John Steinbeck's *The Pearl* was invalid and ineffective. Under Section 304(c)-(d), authors or specified heirs (spouse, children and grandchildren) have opportunity to terminate grants "executed before January 1, 1978," and to take back earlier-granted rights for extended copyright terms. In *Penguin Group (USA) Inc. v. Steinbeck*, 537 F.3d 193 (2d Cir. 2008), *cert. denied* (2009), Second Circuit held that termination notice served by Steinbeck's son and granddaughter with respect to Steinbeck's "early works" was invalid. 1994 publishing agreement between Steinbeck's widow Elaine and Penguin with respect to Steinbeck "early works," in which Elaine was sole copyright owner, had validly terminated by contract all prior grants of rights

in “early works.” Thus, there was no longer any pre-1978 grant of rights in “early works” in existence to be terminated under Copyright Act. In 1994 Elaine and Thomas Steinbeck, co-copyright owners of Steinbeck’s “later works,” entered into second publishing agreement with Penguin with respect to “later works” that identically canceled and superseded all previous agreements for “later works.” Steinbeck’s son and granddaughter served notice of termination purporting to terminate pre-1978 grants of rights in “later work” *The Pearl*. Penguin sought declaratory judgment that notice was invalid under Second Circuit precedent. District court agreed. Court applied New York contract law, under which parties to agreement are free to mutually terminate it, while simultaneously entering into new agreement dealing with same subject matter. Both 1994 Steinbeck publishing agreements expressly canceled and superseded all previous agreements for Steinbeck works, and made new grants of rights on terms considerably more favorable to Steinbeck heirs.

#### **D. Joint Works and Co-Ownership**

*Janky v. Lake County Convention & Visitors Bureau*, 576 F.3d 356 (7th Cir. 2009)

Seventh Circuit reversed grant of summary judgment to plaintiff. Plaintiff, member of doo-wop group Stormy Weather, wrote song promoting Lake County, Indiana for defendant, and registered copyright in composition. Plaintiff then showed song to Farag, another member of Stormy Weather. After discussion with defendant, Farag suggested certain changes to plaintiff, namely, to focus lyrics on Lake County specifically instead of Indiana in general, and to reference “Chicago’s neighboring south shore” and Lake County’s ethnic diversity. Plaintiff incorporated Farag’s suggestions into song and registered copyright in revised composition, naming Farag as co-author. Farag issued non-exclusive license to defendant, which used song in variety of ways to promote Lake County. Subsequently, plaintiff filed for correction of second registration to have Farag’s name as co-author removed. Plaintiff then sued defendant for copyright infringement, and jury awarded \$100,000 in damages. At issue on appeal was whether composition was joint work or whether plaintiff was sole author. Test for joint work is: (1) intention to create joint work, and (2) contribution of independently copyrightable material. Intent analysis, court stated, focuses on whether, at time work was created, parties intended to work together to create single work; it does not focus on intent with respect to legal consequences of collaboration. Majority found that evidence supported conclusion that parties intended to create joint work, and that Farag’s contributions were copyrightable—although if they were any less, they might not have been. Court, accordingly, reversed and remanded for entry of summary judgment in favor of defendant. In dissenting opinion, Judge Ripple disagreed with majority’s analysis of both prongs of joint work test. Judge Ripple found there was insufficient evidence of record of plaintiff’s and Farag’s intent to create joint work to support summary judgment, and that Farag’s contributions did not rise above mere ideas, refinements, and suggestions, and thus were not independently copyrightable.

*Momento, Inc. v. Seccion Amarilla USA*, No. 09-1223, 2009 U.S. Dist. LEXIS 62664 (N.D. Cal. July 6, 2009)

Court found that plaintiff was sole owner of Spanish Yellow Pages advertisements. Plaintiff sought to enjoin defendant from copying plaintiff's advertisements for use in its own Spanish-language directories. Defendant contended that advertisements were jointly owned by plaintiff and its clients because plaintiff and clients collaborated on creating advertisements, and that defendant did not infringe because it obtained non-exclusive license to use, reproduce or create derivative works directly from plaintiff's clients. Court found that plaintiff was sole owner of advertisements based on evidence that (1) plaintiff had contracts with its clients, terms of which stated that artwork designed by plaintiff was plaintiff's property and could not be copied or reproduced without plaintiff's permission; (2) client expressly sought permission from plaintiff to make website use of photograph taken by plaintiff; and (3) several of plaintiff's clients attested that they never gave permission to defendant to copy plaintiff's advertisements.

*Van Cleef & Arpels, S.A. v. Teen Angel, Inc.*, 92 U.S.P.Q.2d 1123 (S.D. Fla. 2009)

District court denied plaintiff plaintiff's motion for summary judgment, citing genuine issues of material fact relating to plaintiff's ownership of *Alhambra* necklace design, subject of copyright infringement action, because necklace design may be authored by independent contractor. Plaintiff argued that it held valid copyright in *Alhambra* design, consisting of several quatrefoils, or clover designs, and that defendants infringed it. Defendants argued that *Alhambra* jewelry design was not authored by plaintiff, pointing to deposition testimony of plaintiff's former chief designer that suggested that *Alhambra* design was authored by independent contractor. Because copyright in work created by independent contractor, absent assignment, is not property of hiring party, independent contractor would own copyright in *Alhambra* design, not plaintiff. Court stated that under "collective works" provision of Copyright Act, if independent contractor and hiring party worked together to create design, each contributing "separate and independent works" to "collective whole," they would be co-authors and would together enjoy protection of copyright. Because plaintiff failed to establish that it and independent contractor each contributed separate and independent works to collective whole of *Alhambra* design, as necessary to satisfy collective works provision of Copyright Act, court found genuine issues of material fact remained as to authorship and therefore denied plaintiff's motion for summary judgment. [NOTE: Court mistakenly applied "collective works," rather than "joint works," provision of Act.]

*Severe Records, LLC v. Rich*, 93 U.S.P.Q.2d 1404 (M.D. Tenn. 2009)

District court dismissed plaintiff's claim of copyright infringement against co-author defendant, finding co-author, who licensed songs to other defendants, was not "beneficial owner" who "had parted with legal title to the copyright in exchange for a percentage of royalties based on sales or license fees." While co-author was beneficial owner with respect to co-defendants, she was not beneficial owner with respect to plaintiff. No claim of copyright infringement can lie against co-owner.

*Heimerdinger v. Collins*, No. 07-844, 2009 U.S. Dist. LEXIS 51758 (D. Utah June 17, 2009)

District court granted plaintiff's motion for summary judgment, finding no genuine issue of material fact that defendant had no copyright interest, publishing interest or any other interest in plaintiff's novel, film or songs. Heimerdinger and Collins created partnership by oral agreement, whereby partnership created website and online store to sell and market Heimerdinger and his books, and to market and advertise Collins's web design business. Court found that Collins had no copyright interest in Heimerdinger's works. Collins produced no writing showing intent to be joint authors. Court also found Heimerdinger's works were not works-for-hire because Heimerdinger was not employee of partnership, and neither Collins nor partnership had right to control manner and means of Heimerdinger's creation of works. Court rejected evidence of checks with notation "for royalty" and "book sales," stating that even if Collins collaborated in creation of works, there was no evidence that Heimerdinger intended Collins to be co-author.

#### **E. Contracts and Licenses**

*Estate of Hevia v. Portrio Corp.*, 602 F.3d 34 (1st Cir. 2010)

First Circuit affirmed dismissal of infringement action in which plaintiff estate claimed that defendant, decedent's business partner, infringed plaintiff's copyright in architectural design. Decedent and defendant had jointly participated in various real estate ventures and formed various companies, including company that owned rights to planned residential community in Puerto Rico. Immediately before decedent's death, decedent transferred all his rights and shares in company, including architectural plans, to trust for benefit of his children. Trust subsequently sold all shares to defendant corporation. Estate claimed it still owned architectural plans, and that defendant had to obtain estate's permission to use plans. Estate registered copyright in plans, and subsequently sued defendant for infringement based on defendant's use of plans to build residential community without plaintiff's permission. Defendant argued that it had obtained implied nonexclusive license upon its purchase of plaintiff's shares. Circuit court held that key aspect of implied nonexclusive license is creator's intent. To determine intent, court looked to factors such as whether licensee requested work, whether creator made work, and whether creator intended that licensee would use work. Because decedent and defendant had worked together in hopes of developing residential community, and their relationship was partially founded on consummating project, there was showing of intent to grant license to defendant company to do whatever it took to finish building residential community.

*Latimer v. Roaring Toyz, Inc.*, 601 F.3d 1224 (11th Cir. 2010)

Eleventh Circuit rejected defendants' argument that plaintiff's photographs of customized motorcycles were unauthorized derivative works of artwork on motorcycles; artist knew that artwork would be displayed for maximum public exposure, and therefore granted implied license. In connection with unveiling of ZX-14 sport motorcycle, defendant Kawasaki engaged defendant Roaring Toyz to customize its ZX-14 motorcycles. Roaring Toyz hired

independent painter Hathaway to apply custom paint and graphics to motorcycles. Plaintiff photographer Latimer was retained by Kawasaki to photograph customized motorcycles. Latimer subsequently granted permission to Kawasaki to use his copyrighted photos at press event but claimed that authorization was limited to use in screen presentation. During press event, Kawasaki distributed press kits with digital images of Latimer's photographs to about 30 members of media, including representative of *Cycle World* magazine, owned by defendant Hachette. *Cycle World* subsequently published Latimer's photographs in conjunction with article. Roaring Toyz also displayed Latimer's photographs on its website. Latimer brought action for copyright infringement based upon use by Roaring Toyz, Kawasaki and Hachette. Defendants argued, *inter alia*, that Latimer's photographs were "unauthorized derivative works" based upon preexisting protected work, *i.e.*, Hathaway's artwork on motorcycles. Circuit court affirmed rejection of "unauthorized derivative works" argument, finding Hathaway knew work would be publicly displayed and photographed and therefore granted implied to Kawasaki and Roaring Toyz, and that license extended to Latimer because photographs were taken at direction of Roaring Toyz. In light of finding that work was authorized, court declined to decide whether work was derivative. Circuit court reversed district court's grant of summary judgment to Kawasaki, finding that, while Latimer granted Kawasaki implied license to use photographs, Kawasaki may have exceeded scope of implied license by including photos in digital format in press kits. Finding issues of material fact, Circuit Court remanded to district court.

*Weinstein Co. v. Smokewood Entertainment Group*, 664 F. Supp. 2d 332 (S.D.N.Y. 2009)

District court granted defendant's motion to dismiss breach of contract claim based on plaintiff's alleged acquisition of license to distribute defendant's motion picture. Plaintiff claimed that email exchange following meeting between parties evidenced binding agreement that was breached by defendant when it subsequently agreed to license its rights to third party. Plaintiff alleged that it had obtained express exclusive license and, alternatively, that it had acquired implied non-exclusive license. Defendant filed motion to dismiss, claiming no license existed as it never communicated any form of agreement to plaintiff. On issue of exclusive license, court cited Section 204(a) requirement of writing to transfer copyright ownership. Alleged oral communication at breakfast meeting was invalid for purposes of express license, and written emails contained no written agreement spelling out necessary terms, court stated. Defendant's emails contained only cautionary language that defendant had to check on certain terms and would call plaintiff back later. Court held that "[i]f a copyright owner's intention in writing is unclear—even deliberately so—there is no legally valid transfer," and that "[w]ithout language indicating finality, § 204(a) is not satisfied." Non-exclusive implied license must be based in part on licensee's requesting creation of work, court noted. Here, motion picture had already been made, so plaintiff could not possibly have been requesting its creation. Moreover, plaintiff's own allegations in emails purported to show that it had obtained "exclusive worldwide distribution rights," controverts notion that plaintiff had obtained non-exclusive implied license. Court accordingly granted defendant's motion to dismiss.

*Netbula, LLC v. Chordiant Software, Inc.*, No. 08-19, 2009 U.S. Dist. LEXIS 58690 (N.D. Cal. 2009)

District court denied defendant's motion for summary judgment, finding genuine material issues of fact as to whether defendant possessed express or implied license. Plaintiff, owner of software copyrights, sold software license to UK company. Defendant subsequently purchased company and changed its name to Chordiant International. Plaintiff claimed that defendant misappropriated license granted to UK entity. Defendant moved for summary judgment, claiming it had either express or implied license. Court found that it was not clear whether plaintiff knew it was licensing to defendant or to Chordiant International; thus, whether there was express license was issue of fact. Plaintiff, court noted, bears burden of proof only when "the scope of the license is the only issue"; here, there was issue whether license to defendant was granted at all. Implied license, court noted, is created when (1) licensee requests creation of work; (2) licensor makes particular work and delivers it to licensee; and (3) licensor intends that licensee-requestor copy and distribute work. Reasonable jury could find, based on evidence, that plaintiff did not intend to grant defendant implied license to software; moreover, evidence would not preclude finding that plaintiff reasonably believed it was dealing with existing licensee. Court accordingly denied motion for summary judgment.

*Numbers Licensing, LLC v. bVisual USA, Inc.*, 643 F. Supp. 2d 1245 (E.D. Wash. 2009)

District court granted plaintiff's motion for preliminary injunction. Plaintiff company contracted with defendant developer to assist in engineering software for defendant's internet-based video conferencing company. Defendant eventually became unable to make payments to plaintiff, and plaintiff ceased services. Plaintiff subsequently obtained copyright registration for source code it created for defendant's system. Upon learning that defendant hired other engineers to finish code, plaintiff sued for infringement, and sought preliminary injunction. Defendant argued that it had right to use and modify code under implied license. Court noted that implied license occurs when (1) licensee requests creation of work; (2) licensor creates work and delivers it to licensee; and (3) licensor intends that licensee copy and distribute work. Plaintiff conceded first two prongs, but contested third. Court analyzed three factors in determining intent under third prong: (1) short-term transaction versus ongoing relationship; (2) whether written contract existed limiting licensee's actions without licensor permission; and (3) whether creator's conduct throughout process indicated that use of material was permissible without licensor's consent. Court held that three and half years went by during contractual relationship without plaintiff making known intent to retain his rights in code; plaintiff never denied license to defendant while at same time receiving substantial monies; and plaintiff's conduct objectively demonstrated that he did not intend to deny defendant use of code. Court accordingly found that there was implied license, and denied preliminary injunction motion.

*Wilson v. Brennan*, 637 F. Supp. 2d 959 (D.N.M. 2009)

Plaintiff, Race Director of “The Tour of the Gila,” U.S. Cycling Federation-sanctioned bicycle race held in New Mexico, sued defendant, Tour of Gila, Inc., non-profit corporation conducting Tour, and various individuals associated with Tour, for copyright infringement. Plaintiff claimed that he created original text, compilations of facts and graphics for Tour’s Race Bible, and that defendants used them without his permission. Defendants did not deny that they copied and adapted Wilson’s text, factual compilations and maps for use in later Race Bibles, but claimed that Tour bought Wilson’s intellectual property or purchased non-exclusive license when defendant Brennan paid Wilson for his work in preparing Race Bible. Court held that defendants failed to establish that Tour acquired exclusive rights, because “[w]hen a copyright owner desires to transfer any of the exclusive rights the owner has in a copyright, he must state in writing that he intends to transfer the copyright”; defendants had not claimed that Wilson’s invoice or any other document satisfied this requirement. With respect to non-exclusive license, court recognized that “[a] copyright owner may orally grant a nonexclusive license to use the protected material, or such license may be implied from conduct,” but defendants failed to establish that they obtained non-exclusive license in 2002 Race Bible. Court found that “[w]hen Wilson prepared the 2002 Race Bible, he intended that the Tour would use his work for the 2002 race and not thereafter. Although Brennan testified at trial that he told Wilson that the Tour was purchasing Wilson’s intellectual property when he paid Wilson’s invoice on May 8, 2002, Wilson testified that he told Brennan that it was not for sale.”

## **V. FORMALITIES**

### **A. Notice and Publication**

*Maverick Recording Company v. Harper*, 598 F.3d 193 (5th Cir. 2010)

Fifth Circuit affirmed district court’s finding of infringement, but reversed finding that defendant was entitled to “innocent infringer” defense. Plaintiff record company sued individual defendant for copyright infringement based on defendant’s “sharing” of plaintiff’s copyrighted music on peer-to-peer network. Lower court denied plaintiff’s request for statutory damages of \$750 per infringed work. Defendant claimed she was “innocent infringer” under Section 504(c)(2), which provides for reduction of statutory damages to not less than \$200 per infringed work if infringer proves she was “not aware and had no reason to believe that ... her acts constituted an infringement.” Lower court awarded plaintiff \$200 per infringing work. Plaintiff argued that Section 402(d) bars innocent infringer defense when proper copyright notice “appears on the published ... phonorecords to which a defendant ... had access,” under which circumstance claim by defendant that she did not understand what she was doing is null and void. Court of appeals agreed, and found plaintiff entitled to \$750 per work infringed as matter of law. Plaintiff’s copyright notice on each published phonorecord that defendant used to share audio files was sufficient to overcome innocent infringer defense, and render defendant’s claims of ignorance irrelevant for purposes of statutory damages.

## B. Registration

*Reed Elsevier v. Muchnick*, 130 S. Ct. 1237 (2010)

Supreme Court held that Section 411(a) registration requirement is not jurisdictional but is merely “claim-processing rule.” Justice Thomas’ opinion analyzed issue under *Arbaugh v. Y & H Corp.*, 546 U.S. 500 (2006), in which Supreme Court articulated “general approach” to deciding whether statutory requirements are jurisdictional: “If the Legislature clearly states that a threshold limitation on a statute’s scope shall count as jurisdictional, then courts and litigants will be duly instructed and will not be left to wrestle with the issue. But when Congress does not rank a statutory limitation on coverage as jurisdictional, courts should treat the restriction as nonjurisdictional in character.” Applying that analysis to Section 411(a), Court found no jurisdictional importance in mere fact that Section 411(a) does, in its last sentence, refer to “the jurisdiction of the court,” because that reference is limited to (non-) effect of intervention by Register on court’s ability to determine registrability: “The word jurisdiction, as used here, thus says nothing about whether a federal court has subject-matter jurisdiction to adjudicate claims for infringement of unregistered works.” Further, Court noted that here, as in *Arbaugh*, Section 411(a) registration requirement is located in provision separate from those granting subject matter jurisdiction; jurisdiction over copyright claims is granted by 28 U.S.C. §§ 1331 and 1338, not by Title 17. Neither of those provisions “conditions its jurisdictional grant on whether copyright holders have registered their works before suing for infringement.” Additionally, Court observed that Section 411(a) expressly permits district courts to hear claims over unregistered works in three situations: where work is not “United States work”; where claim concerns violations of artists’ rights under Section 106A (Visual Artists Rights Act); and where registration of work has been attempted but refused by Copyright Office. Jurisdictional requirements, Court observed in footnote, “can never be forfeited or waived”; thus “[i]t would be at least unusual to ascribe jurisdictional significance to a condition subject to these sorts of exceptions.” Moreover, extensive precedent in copyright cases describing registration requirement as jurisdictional was not dispositive; as Justice Ginsburg noted in concurrence, none of precedent cited by parties on jurisdictional significance of Section 411(a) was Supreme Court precedent entitled to *stare decisis*. Instead, although more than 200 decisions refer to registration requirement as jurisdictional, “not one is from this Court, and most are drive-by jurisdictional rulings that should be accorded no precedential effect.”

*Cosmetic Ideas, Inc. v. IAC/Interactivecorp*, No. 08-56079, 2010 U.S. App. LEXIS 10555 (9th Cir. May 25, 2010)

Ninth Circuit adopted “application approach,” allowing plaintiff to file infringement claim upon showing that it had submitted application materials to Copyright Office. New York District Judge Trager, sitting by designation, noted split in Circuits as to whether plaintiff must have received registration certificate prior to filing suit, or whether Section 411(a) also permits suit where plaintiff has merely filed application to register. Language of Section 411(a), and related provisions in Sections 410(a), 408, and 410(d), was ambiguous, held court, and required examination of broader context and purpose of statute. After conducting

such review, court opted for application approach for three reasons. First, it avoids “unnecessary delay” in litigation by allowing claimants to commence action quickly, and yet does not “impair[] the central goal of copyright registration,” *i.e.*, helping Congress maintain “a robust national register.” Characterizing Register’s formal approval or rejection of applications as “needless formality,” court concluded that “it makes little sense to dismiss a case (which will likely be refiled in a matter of weeks or months) simply because the Copyright Office has not made a prompt decision that will have no substantive impact on whether or not a litigant can ultimately proceed.” Second, registration approach can sometimes cause plaintiff to be barred under statute of limitations, seemingly inconsistent with Congressional intent in passing Section 410(d), which makes registration effective as of date application is received by Copyright Office. Third, court found “unpersuasive the argument that deference to the Register requires adoption of the registration approach.” Register could still appear in ongoing litigation to contest previously-filed application, observed court, and Register’s decision is in any case “largely perfunctory, and ... ultimately reviewable by the courts.” Entire analysis may be *dicta*, however, despite court’s label of “holding,” because plaintiff’s application had in fact been approved by Copyright Office prior to oral argument of appeal from Rule 12(b)(6) dismissal below. Query whether, in light of *Reed Elsevier v. Muchnick*, 130 S. Ct. 1237 (2010), district court’s dismissal would have been *res judicata* bar to re-filing, absent reversal by Ninth Circuit.

*St. Luke’s Cataract & Laser Inst., P.A. v. Sanderson*, 573 F.3d 1186 (11th Cir. 2009)

Eleventh Circuit affirmed jury verdict for defendant. Defendant doctor worked at plaintiff hospital as oculoplastic surgery specialist. While at hospital defendant worked with hospital’s webmaster to create LaserSpecialist.com website promoting defendant’s oculoplastic surgery practice. Eventually, defendant left hospital and transferred domain name to his own control. Hospital registered two old versions of website with Copyright Office and sued for copyright infringement. Jury returned verdict for defendant on infringement claim, finding hospital’s registrations invalid. Court of appeals affirmed. Under Section 411(a), copyright registration can be held invalid if “inaccurate information was included on the application for copyright registration with knowledge that it was inaccurate; and ... the inaccuracy of the information, if known would have caused the Register of Copyrights to refuse registration.” Jury found inaccuracies material and found scienter on part of plaintiff. Circuit court held that there was sufficient evidence to show intentional, material misrepresentations in applications. Court pointed to evidence that showed deposit copies from February 2003 application contained information that had not been added to website until months afterward. Plaintiff in applications claimed copyright in entire website, but later admitted that many photos and other material on website were not original to plaintiff. Circuit court accordingly affirmed jury verdict for defendant on copyright infringement claim.

Court dismissed photographers' claims against textbook publisher because works were not properly registered, despite confirmation from Copyright Office that registrations were acceptable. Plaintiffs' works were registered by image licensing company Corbis as part of database of many photos by many different authors. In 1997 and again in 2001, plaintiffs executed written assignment of works to Corbis, "solely for the purpose of registering my copyright on my behalf," with proviso that "Corbis shall promptly reassign in writing to me all of my right, title and interest" upon completion of registration process and receipt of certificate. Corbis registered works claiming itself "and others" or "and (number) other photographers" as author, and Corbis alone as claimant. Registrations did not name plaintiffs. Plaintiffs' counsel wrote to Copyright Office in 2002 to confirm that Corbis' registration of databases would be valid as to individual photos contained therein, and Copyright Office stated that it "preferred, but did not require, the registration application to contain the names of all the photographers on continuation sheets." Court disagreed, and held that names of all authors are in fact required in Space 2b or continuation sheet for database registration to be effective as to such authors' works. Although regulations in 37 C.F.R. were entitled to full "*Chevron* deference," and Copyright Office circulars and *Compendium II* were entitled to lesser deference, court accorded no deference to "the Copyright Office's interpretations of the Copyright Act as set forth in the [letter to plaintiffs]" because those interpretations "conflict with a plain reading" of Section 409. Court also faulted plaintiffs' reliance on *Bean v. McDougal Littell*, 669 F. Supp. 2d 1031 (D. Ariz. 2008), which court found was erroneously based on Second Circuit ruling in *Morris v. Business Concepts*, 283 F.3d 502 (2d Cir. 2002). *Morris* concerned serial registrations, court noted, but *Bean*, like instant case, was about databases, "which are subject to separate copyright regulations." Under database regulations, since Corbis was not author of each individual work within database, its name on application was not sufficient to protect individual works: "A plain reading of § 409 of the Copyright Act mandates that the copyright registrations at issue here contain the names of all the authors of the work. See 17 U.S.C. § 409(2). [Plaintiff] believes that such a 'hypertechnical reading of the Copyright Act' conflicts with the lenient approach that courts should take with respect to copyright registrations, especially in the post-Berne Convention era. [Plaintiff] though, is not asking the Court to interpret the statute broadly; rather, it is asking the Court flatly to ignore the requirement that the authors' names be listed on the copyright registration form. [Plaintiff's] request goes a bridge too far." Court concluded by faulting Copyright Office, not plaintiff, for invalidity of registration "The Court does not fault MPI for its failed efforts to comply with the registration process. Indeed, from the record presented to the Court, it appears MPI's actions were completely appropriate—it sought the approval of the Copyright Office to ensure compliance with the statute. Unfortunately, MPI received poor advice and is now deprived, at least at this juncture, of the ability to seek statutory damages with respect to the Images not registered by MPI. The fault in this case lies solely with the Copyright Office and its relaxed interpretation of the statute." Case is on appeal.

Court denied plaintiff's motion for reconsideration of order that found plaintiff was entitled to rebuttable presumption of ownership of valid copyright, but was not entitled to presumption of validity of facts stated in supplementary registration. Plaintiff argued that reconsideration was warranted because (1) newly produced evidence (*i.e.*, affidavits) demonstrated that plaintiff obtained supplementary registration promptly, but had insufficient notice or opportunity to be heard on issue of timing; and (2) court overlooked controlling law regarding statutory presumption of validity of facts contained in supplementary registration. Court found that plaintiff brought forth no controlling law or factual matter overlooked by court that might reasonably be expected to alter outcome of order. Regarding newly produced evidence, court disregarded plaintiff's affidavits because Local Civil Rule 6.3 prohibited filling of affidavits unless directed by court, and plaintiff neither sought permission nor received direction from court to file affidavits. Further, issue as to when plaintiff became aware of errors in registration and filed for or received supplementary registration was irrelevant because plaintiff filed for supplementary registration after close of discovery, and did not produce supplementary registration to defendants before briefing of summary judgment motions, depriving defendants of full discovery on critical documentary material. Plaintiff argued that court overlooked significance of Section 410(c), which plaintiff argued provided it with presumption of validity of facts stated in supplementary registration. Court disagreed, stating that statutory language and history of Section 410(c) were already considered, and that plaintiff's disagreement with court's analysis was not proper ground for reconsideration. Court also found unpersuasive plaintiff's arguments relying on *Computer Assocs., Int'l v. Altai, Inc.* (E.D.N.Y. 1991), for proposition that submission of supplementary registration on last day of trial was proper and created no prejudice. *Altai* did not address whether facts contained in supplementary registration were entitled to presumption of validity; in *Altai* correction of supplementary registration had no direct effect on evidence or arguments at trial. Here, plaintiff's corrections did concern validity of facts and could affect determination of copyrightability. Finally, court found unpersuasive plaintiff's argument that changes made to certificate of registration did not affect application of statutory presumption unless there is evidence of substantial fraud on Copyright Office. Court reasoned that because cases cited by plaintiff addressed presumptive validity of copyright itself, and not presumptive validity of accuracy of facts contained in certificate, and because plaintiff's copyright was already found to be presumptively valid, cases were inapplicable.

*Corbis Corp. v. Starr*, No. 07-3741, 2009 U.S. Dist. LEXIS 79626 (N.D. Ohio Sept. 2, 2009)

Court granted in part plaintiff's motion for summary judgment. Defendant Master Maintenance hired Defendant West Central to redesign and host its cleaning company website. Plaintiff found four of its images on Master Maintenance's redesigned website, and brought suit for copyright infringement. Defendants disputed source of images, each claiming they were supplied by other. Neither defendant licensed images from plaintiff. West Central argued that Corbis's copyright registration for collection containing copied images was insufficient to establish ownership of

copyright in individual images at issue. Court disagreed. Ownership of copyright in collection is sufficient to prove copyright ownership of individual works in collection even if not listed on registration certificate. On summary judgment motion, court found West Central liable for direct infringement, and Master Maintenance liable for vicarious infringement.

*Salestraq Am., LLC v. Zyskowski*, 635 F. Supp. 2d 1178 (D. Nev. 2009)

Court denied defendants' motion to dismiss plaintiff's copyright infringement suit. Plaintiff alleged that content on defendants' webpage was similar to plaintiff's copyrighted compilation of information regarding residential properties in Las Vegas, and also included exact reproductions of content created by plaintiff to inform customers of properties' key attributes. Defendants moved to dismiss on basis that (1) court lacked subject matter jurisdiction to consider infringement action because plaintiff registered 2008 version of compilation rather than 2007 version that defendant allegedly infringed, and (2) plaintiff failed to set forth cognizable copyright infringement claim because compilation was comprised of uncopyrightable facts or ideas as opposed to copyrightable expression. As to registered version argument, court ruled that registration of factual compilation permits complainant to assert infringement claim on underlying work that is owned by complainant and, as such, plaintiff complied with registration requirements. As to failure to state claim, court noted that complaint alleged that, as part of compilation, plaintiff authored additional content informing users of key attributes of each model of residential property in compilation. Court ruled that authoring content regarding key attributes of properties involves greater degree of creativity than alphabetization rejected in *Feist Publications, Inc. v Rural Tel. Serv. Co.*, 499 U.S. 340, (1991) (holding that even slight amount of creativity is sufficient, no matter how crude, humble or obvious it might be).

*Rich & Rich Partnership v. Poetman Records USA, Inc.* No. 08-436, 2010 U.S. Dist. LEXIS 48949 (E.D. Ky. May 18, 2010)

District court granted defendants' motion for summary judgment on plaintiff's claim for copyright infringement, holding that plaintiff's knowing failure to identify, in copyright registration, which preexisting work was used in which portion of plaintiff's work rendered registration unenforceable. Plaintiff created album, containing "Chandler remix," which was mix of former governor Chandler's *a cappella* rendition of *My Old Kentucky Home* with recorded crowd noise from University of Kentucky's Rupp Arena. Subsequently, defendants created album, containing same remix. Defendants moved for summary judgment on plaintiff's claim for copyright infringement, arguing that plaintiff failed to register "Chandler remix" properly. Court stated that under Copyright Act, registration for derivative work must include identification of preexisting work that it is based on or incorporates, together with brief statement of additional material covered by copyright claim. Court found that although plaintiff knew that it was taking Chandler's work and putting it on its album, plaintiff, without identifying Chandler's work, merely mentioned in registration that it used "some sound recording" and provided deposit of its album. Court found this statement and deposit of album insufficient, reasoning that Copyright Office, without knowing which preexisting work was used in which portion of plaintiff's work, could never have determined whether plaintiff's contribution to Chandler's work qualified as derivative work. Accordingly, court held that plaintiff's knowing failure to identify, in copyright registration,

which preexisting work was used in which portion of plaintiff's work rendered registration unenforceable.

### C. Renewal

*Mason v. Jamie Music Publ'g Co.*, 658 F. Supp. 2d 571 (S.D.N.Y. 2009)

Court granted plaintiff's motion for declaratory judgment of copyright ownership and denied defendant's counterclaim for declaratory judgment of copyright ownership. Plaintiff, author of musical composition in 1962 song entitled "Yes I'm Ready," intervened in defendant music publisher's infringement action concerning composition against third parties, and filed motion seeking declaratory judgment that she owned copyright in composition. In 1965, plaintiff and defendant entered into Songwriter's Agreement, whereby plaintiff assigned to defendant copyright in subsequent compositions, and also copyright in certain prior compositions identified in exhibit to Songwriter's Agreement. Exhibit was omitted from Songwriter's Agreement. Defendant argued that plaintiff's renewal of copyright and subsequent conduct continuing to accept royalties for exploitation of composition proved that plaintiff had assigned rights in composition to defendant. Renewal of copyright is author's new estate free from encumbrances granted under initial term unless rights in renewal term were expressly transferred. There is rebuttable presumption against conveyance of renewal rights and any ambiguity is construed in favor of author. While Songwriter's Agreement provided for transfer of renewal rights, Songwriter's Agreement did not specifically identify composition. Ambiguity created by omission of exhibit to Songwriter's Agreement, purportedly identifying prior compositions assigned to defendant, must be construed in favor of plaintiff. Accordingly, court concluded renewal term of copyright was not assigned to defendant.

## VI. INFRINGEMENT

### A. Access

*Vargas v. Pfizer Inc.*, No. 07-4085, 2009 U.S. App. LEXIS 24263 (2d Cir. 2009)

Second Circuit affirmed grant of summary judgment to defendants. Because plaintiffs would bear burden at trial of demonstrating that defendants' sound recording titled "Aparthenonia" infringed plaintiffs' composition and sound recording titled "Bust Dat Groove Without Ride," defendants could satisfy their burden under Rule 56 by showing that there was absence of evidence to support essential element of plaintiffs' case. For proof of access, plaintiffs relied on reports and testimony of three experts to establish that "Aparthenonia" and "Bust Dat Groove" were strikingly similar. District court determined, however, that evidence was insufficient to create genuine issue of fact as to access, as expert reports and testimony were internally and externally inconsistent. On appeal plaintiffs contended that district court's treatment of expert evidence was improper at summary judgment stage. Court of appeals disagreed. Plaintiffs cannot avoid summary judgment simply by submitting "any expert evidence, particularly where that evidence is both internally and externally

inconsistent.” Furthermore, “[a] plaintiff has not proved striking similarity sufficient to sustain a finding of copying if the evidence as a whole does not preclude any reasonable possibility of independent creation.” Here, defendants offered ample evidence to establish reasonable possibility of independent creation. Although plaintiffs submitted affidavit in opposition to that evidence, mere assertions were insufficient to satisfy burden at summary judgment.

*Art Attack Ink, LLC v. MGA Entertainment Inc.*, 581 F.3d 1138 (9th Cir. 2009)

Ninth Circuit affirmed district court’s grant of judgment as matter of law as to plaintiff’s copyright infringement claim, based on plaintiff’s failure to demonstrate that defendant had access to copyrighted works. Plaintiff’s copyrighted “Spoiled Brats” T-shirt character featured characteristics similar to defendants “Bratz” dolls. Although there was no direct evidence of access, plaintiff used circumstantial evidence to attempt to show access by either (1) establishing chain of events linking plaintiff’s work and defendant’s access, or (2) showing that plaintiff’s works had been widely disseminated. As to chain of events argument, plaintiff argued that defendant might have attended county fair at which “Spoiled Bratz” character was displayed. Court held that although there might be some slight chance that defendant did visit county fair during relevant period, that chance did not create more than “bare possibility” of chain of events linking plaintiff’s design to defendant. As to wide dissemination argument, plaintiff argued wide dissemination by (1) plaintiff’s booth itself; (2) “Spoiled Brats” T-shirts serving as “walking billboards”; and (3) via Internet. As to plaintiff’s booth, court ruled that there was no evidence that significant numbers of passersby would notice plaintiff’s booth among many other similar booths at fair. As to plaintiff’s T-shirts, court found that plaintiff could not demonstrate that “Spoiled Brats” design was widely disseminated to extent necessary to create more than “bare possibility” that defendant had access to it. As to Internet, wide dissemination was not shown because plaintiff’s website took two full minutes to load; viewers would not see design without scrolling down page; and webpage did not include “meta tags” that would identify plaintiff’s page to search engines.

*Tokidoki, LLC v. Fortune Dynamic, Inc.*, No. 07-1923, 2009 U.S. Dist. LEXIS 65665 (C.D. Cal. July 28, 2009)

Court held that defendant’s heart and crossbones design was independent creation, not infringing copy of plaintiff’s design. Court, assuming *arguendo* that plaintiff’s work was properly registered, held that claim still failed as defendant did not copy plaintiff’s designs. Plaintiff failed to establish access through evidence of particular chain of events. Plaintiff also failed to establish “striking similarity” because “[t]he design, which consists of two relatively commonplace elements—a heart and a crossbones—is sufficiently simple and commonplace that the similarities between Fortune’s design and Tokidoki’s could easily have been the result of independent creation, coincidence or some theory other than copying. Tokidoki failed to create a presumption of copying by Fortune.” Court held that Fortune “independently created its single heart above crossbones design without knowledge of its prior existence or of Tokidoki’s use.”

*Martinez v. McGraw*, No. 08-738, 2009 U.S. Dist. LEXIS 69862 (M.D. Tenn. Aug. 10, 2009)

Court granted defendants' motion to dismiss, ruling that plaintiff failed to plead facts as to access that would entitle him to relief for defendants' alleged copyright infringement. Plaintiff contended that defendants were unlawfully reproducing, distributing, promoting, publically performing and offering for sale unauthorized copies of plaintiff's song *Anytime, Anywhere Amanda* as defendants' song *Everywhere*. As to access, plaintiff alleged that non-party musician recorded certain song with title consisting of common phrase also used in plaintiff's song title. Plaintiff also alleged that defendant and same non-party musician recorded their albums in same studio as plaintiff and used same songwriters and personnel as plaintiff to create their albums. Court held that these facts could not even raise inference of access. Court noted that plaintiff did not allege how his song *Anytime, Anywhere Amanda* got into hands of non-party musician's personnel and songwriters, or even that plaintiff's song was played in hearing range of non-party musician's personnel and songwriters, or that they had any contact with plaintiff. As to substantial similarity, court noted that plaintiff merely stated that two works were "substantially similar" and that defendants created allegedly infringing song "through blatant and literal copying, altering and reproducing plaintiff's song." Court held that under *Twombly* standard, plaintiff's obligation to provide grounds of his entitlement to relief required more than formulaic recitation of elements of cause of action, and here plaintiff merely restated elements of cause of action.

## **B. Copying and Substantial Similarity**

*Peter F. Gaito Architecture, LLC v. Simone Development Corp.*, 602 F.3d 57 (2d Cir. 2010)

Second Circuit affirmed dismissal of copyright action for failure to state cause of action, finding lack of substantial similarity in architectural works as matter of law. Plaintiff architectural firm and defendant development company entered into agreement to submit joint proposal for Church Street development project in New Rochelle. Pursuant to agreement, Gaito drafted architectural plans for residential high-rise tower, retail space at base of tower, pedestrian plaza, public park and parking garage. Simone was to secure financing for project. Gaito and Simone subsequently terminated their relationship, and Simone retained services of architectural firm SLCE to continue work on Church Street project. Gaito brought copyright infringement action alleging actionable similarity between its design and SLCE's design, attaching parties' respective designs to its complaint. Defendants moved to dismiss for failure to state cause of action, arguing no substantial similarity. Second Circuit ruled that district court's consideration of substantial similarity on motion to dismiss was proper, citing supporting decisions from other circuits. Court held that where court evaluates similarity between parties' works and determines that works are not substantially similar as matter of law, it can properly conclude that complaint does not plausibly give rise to entitlement to relief. Noting differences in parties' respective designs (*e.g.*, Gaito's design consisted of three prominent structures, while SLCE's consisted of only one; Gaito's design included townhouses while SLCE's did not; parties' pedestrian plaza designs and placement of park were different), and finding that overall impressions of

designs were different, court concluded that no average lay observer would recognize SLCE's design as having been copied from Gaito's design. Further, only similarities were in unprotectible ideas and concepts common to such developments. Concluding that Gaito failed to allege substantial similarity, Second Circuit affirmed dismissal of copyright action.

*Cameron Indus. v. Mother's Work, Inc.*, No. 08-2144, 2009 U.S. App. LEXIS 16055 (2d Cir. July 22, 2009)

Second Circuit affirmed order of district court granting summary judgment in favor of defendant, finding textile designs were not substantially similar. "[S]ubstantial similarity will be found between textile patterns when slight differences between the two patterns fade away when they are viewed from a distance" (citations omitted). Court did "not find the differences between the fabrics to be 'slight.' Cameron's design is larger and more orderly, presenting rows of shapes rather than a jumble of shapes. There are other differences, carefully described by the district court."

*R.C. Olmstead, Inc. v. CU Interface, LLC*, No. 09-3428, 2010 U.S. App. LEXIS 10172 (6th Cir. May 19, 2010)

Sixth Circuit affirmed district court's grant of summary judgment to defendant in copyright infringement action brought by provider of credit union software against developer of competing software. Plaintiff failed to produce any direct or indirect evidence of copying. While it was undisputed that defendant's programmers had access to non-literal elements of plaintiff's software, namely, plaintiff's user interface, plaintiff failed to show substantial similarity. "The elements of the copyrighted work that are copied must be original, and before comparing similarities between two works a court should first identify and eliminate those elements that are unoriginal and therefore unprotected" (internal quotations and citations omitted). Plaintiff failed to identify any original elements of its software code that were copied. Moreover, any similarities arose from fact that both software programs were designed to serve functions of credit union. Testimony that credit union's transition from plaintiff's program to defendant's program was "seamless" did not create triable issue of fact when same testimony revealed that many problems existed when credit union first implemented defendant's program, and defendant provided significant support to credit union during software transition.

*Bridgeport Music, Inc. v. UMG Recordings, Inc.*, 585 F.3d 267 (6th Cir. 2009)

Sixth Circuit affirmed jury verdict on issue of substantial similarity. In 1998, defendants released song entitled "D.O.G. In Me" which incorporated elements of George Clinton funk classic "Atomic Dog." Plaintiffs sent letter asking defendants to either license composition or cease distribution of infringing work. Defendants did not respond to letter, and plaintiffs filed suit for copyright infringement. Defendants copied three elements from "Atomic Dog": use of word "dog" as musical punctuation, rhythmic panting, and "Bow Wow" refrain. Plaintiffs offered expert testimony that said elements were best-known, most iconic elements of "Atomic Dog" composition, one of most famous and frequently licensed in its musical genre. Jury was instructed that substantial similarity could be found based on fragmented

literal similarity. Although no prior reported Sixth Circuit opinion explicitly adopted fragmented literal similarity doctrine, district courts in Sixth Circuit had previously applied fragmented literal similarity test. Because evidence offered at trial supported conclusion that copied elements were of substantial qualitative importance to original, appeals court held that it was not error to apply fragmented literal similarity doctrine.

*Porto v. Guirgis*, 659 F. Supp. 2d 597 (S.D.N.Y. 2009)

District court summarily dismissed plaintiff author's claims that defendants—playwright, theater company, director and publishers—infringed plaintiff's fictional work about Jesus and Judas Iscariot. Plaintiff's novel was about Judas's appeal from eternal damnation before fictional court, where six-judge panel and analyst panel were composed of historical and religious figures. Novel included narrator who was target of violence surrounding trial. Theme of novel was predestination. At end of plaintiff's novel, reader was told outcome of trial, Jesus intervened on Judas's behalf, and narrator woke up from dream. Defendants' play was about trial of Judas before fictional judge held in Purgatory. Defendants' play did not have narrator, and focused on idea that Judas was in despair. At end of defendants' play, jury foreman told Judas that he was convicted, and delivered monologue describing why foreman was not in heaven, and then Jesus washed Judas's feet. Court held that works were not substantially similar because similarities—biblical characters and idea of Judas standing trial—were not protectible, and works were dramatically different in substance, setting, plot, theme, language, and overall thrust and feel.

*Lapine v. Seinfeld*, 92 U.S.P.Q.2d (S.D.N.Y. 2009)

Plaintiffs brought action for copyright infringement against defendants Jessica Seinfeld, HarperCollins Publishers, and Departure Products, alleging that cookbook *Deceptively Delicious: Simple Secrets to Get Your Kids Eating Good Food* infringed copyright in plaintiff's cookbook *The Sneaky Chef: Simple Strategies for Hiding Healthy Food in Kids' Favorite Meals*. Defendants moved to dismiss for failure to state claim pursuant to Rule 12(b)(6), on ground that works were not substantially similar. Court found that defendants were entitled to judgment as matter of law because neither total look and feel of two works, nor points of similarity identified by plaintiffs, was sufficient as matter of law to support finding of substantial similarity of copyrightable material between two works. Similar subject matter of books—hiding healthy foods in dishes children enjoy by including pre-made purees in popular types kids' foods—was insufficient to sustain claim; copyright protection extends only to particular expression of ideas, and never to ideas themselves. Plaintiffs' inclusion of process details, primarily focused on time-saving techniques, was insufficient to transform unprotectible idea into copyrightable expression. Court held that alleged similarities, namely (1) cover and title conveying concept of secretly getting children to eat healthy foods; (2) drawings illustrating that concept on cover, spine and first page; (3) introduction or forward by doctor; (4) personal narrative by author describing her struggle, revelation, recipe testing and effects; (5) discussion of appliances; (6) list of essential ingredients; (7) instructions for making purees in advance and storing them for later use; and (8) collection of individual recipes using those foods, were insufficient to sustain contention

that two cookbooks were substantially similar. Total look and feel of works differed, court found, noting that Lapine's cookbook was dry, heavy and appeared predominantly in dull colors, focused on various methods for sneaking in healthy foods, and was informative and lecturing in tone. In comparison, Seinfeld's cookbook was bright and cheerful, full of color and various patterns, focused on adding healthy ingredients through addition of single fruit or vegetable in puree form, incorporated Seinfeld's family members and general public's comments and targeted average busy parent with little to no cooking skill or experience in less formal tone.

*Lewinson v. Henry Holt and Co., LLC*, 659 F. Supp. 2d 547 (S.D.N.Y. 2009)

District court granted defendants' motion for summary judgment, finding no reasonable trier of fact could find substantial similarity between protectible elements of plaintiff's book *What Do You Call It?* and defendants' book *Can You Say Peace?*. Court applied "more discerning ordinary observer test," under which non-protectible elements such as ideas, scenes a faire, titles, words and ordinary phrases, are excluded from comparison of works; court considered issues of total concept and feel, theme, characters, sequence, pace and setting of works. Court rejected plaintiff's argument that titles/main question of defendant's work infringed plaintiff's. While both works shared unprotectible idea that children universally desire peace, plaintiff expressed idea through metaphor of pacifier; defendant did not. Court found *de minimis* similarities as to plot, and no similarities between plaintiff's characters and defendant's characters. Though both stories were "international," similarities in setting are merely scenes a faire. Of few similarities in sequence between two works, none was protectible. Similarity of pace of both works was to be expected in children's stories, and thus not protectible. Works were not substantially similar in total concept and feel; while plaintiff's work expressed desire for peace through metaphor of pacifier, defendant's work pertained to United Nations' International Day of Peace. Court granted summary judgment to defendants on issue of infringement.

*Carmichael Lodge No. 2103 v. Leonard*, No. 07-2665, 2009 U.S. Dist. LEXIS 84857 (E.D. Cal. Sept. 16, 2009)

District court granted in part, and denied in part, defendant's motion for summary judgment. Plaintiff, travel guide company, alleged that defendant, former employee, infringed copyrights in two travel guides, which included maps and information on lodges and RV facilities throughout country. District court applied "extrinsic" and "intrinsic" tests in analyzing whether defendant's guides were substantially similar to plaintiff's. Court found that most of material included was factual, and thus unprotectible. Majority of information in guides comprised names, addresses, cities, and phone numbers, none of which is protectible. However, defendant also copied selection of particular categories of RV information, as well as specific notes on locations from plaintiff's guides. Court found that these portions possessed requisite creativity to be protectible, and that jury could find substantial similarity. District court accordingly denied defendant's motion for summary judgment on infringement claim.

*Steele v. Turner Broad. Sys., Inc.*, 646 F. Supp. 2d 185 (D. Mass. 2009)

District court granted defendants' motion for summary judgment. Plaintiff claimed song titled "Man I Really Love This Team," about Boston Red Sox, was infringed by defendant Bon Jovi's song "I Love This Town," incorporated into allegedly-infringing television commercial aired during 2007 Major League Baseball post-season. Court evaluated similarity between music and lyrics of songs. Experts on both sides found no substantial similarity in musical elements of songs, and court agreed that no reasonable jury could find substantial similarity between musical elements. Court dissected lyrics of plaintiff's song to exclude those too trite, common or cliché to be copyrightable, including such phrases as "come on," "here we go," and "I love this." Court also noted common rhyming of "round" and "town" is found in children's song "The Wheels on the Bus"; common rhyme scheme and structure do not constitute protectible original expression. Accordingly, no reasonable jury could find substantial similarity between protectable lyrical elements. Finally court considered substantial similarity between advertisement, including video elements, and plaintiff's song. Plaintiff argued that scenes in advertisement coincided with certain lyrics in plaintiff's song, alleging defendants "temp tracked" using plaintiff's song and then substituted Bon Jovi song. Plaintiff noted four scenes in which defendants' video coincided with plaintiff's lyrics. Court found that certain such scenes were scenes a faire; additionally, while defendant's video showed fans cheering more than dozen times, just one happened to coincide with plaintiff's lyrics "get up off your seats." Court concluded that no reasonable jury could find substantial similarity between defendant's advertisement and copyrightable elements of plaintiff's work.

*Randolph v. Dimension Films*, 634 F. Supp. 2d 779 (S.D. Tex. 2009)

Court denied plaintiff's motion for reconsideration of court's order dismissing copyright infringement claim. Plaintiff contended that dismissal under Rule 12(b)(6) on basis of lack of substantial similarity was improper because in copyright cases determination of substantial similarity should be left to fact finder. Court held that determination that no substantial similarity exists as matter of law is appropriate if court can conclude, after viewing evidence and drawing inferences in manner most favorable to nonmoving party, that no reasonable juror could find substantial similarity of protectible expression. Court performed side-by-side comparison of works at issue, and concluded that allegedly copied elements did not involve protected expression, or would not strike layperson as being substantially similar. Court noted that in realm of books and movies, general individual concepts such as imaginary world or realm; controlling or accessing dream world through journal or literary work; character in search of parent; and fight scene featuring powers and weapons derived from characters' imagination are not protectable and, as such, are not considered in side-to-side comparison for determining substantial similarity. Instead, court noted, comparing overall concept and feel of two works is established method of determining substantial similarity. Court held that look and feel of two works at issue were very different, weighing against finding of substantial similarity.

*MDM Group Associates, Inc. v. ResortQuest International, Inc.*, No. 06-1518, 2009 U.S. Dist. LEXIS 82318 (D. Colo. 2009)

District court granted defendant's motion for summary judgment. Plaintiff designed insurance waiver brochure for use by defendant in rental of vacation properties to clients. Parties terminated license agreement, but defendant continued to use brochure, and later created its own damage-waiver brochure. Plaintiff filed suit for infringement, alleging that defendant's brochure was derived from plaintiff's in violation of plaintiff's adaptation right. Defendant moved for summary judgment dismissing infringement claims based on lack of substantial similarity. Court utilized abstraction-filtration-comparison test to separate out only copyrightable elements of brochures, holding certain aspects not copyrightable because they were generic functional descriptions. Other aspects, such as damage waiver provision, were not copyrightable because "there are a limited number of ways to convey the basic operation of the damage waiver." Court found significant differences in copyrightable aspects of parties' works, including defendant's simple layout contrasted with complex legalistic layout of plaintiff's. Court held, therefore, that there was no substantial similarity from perspective of ordinary observer.

*Frank Betz Assocs. v. Signature Homes, Inc.*, 92 U.S.P.Q.2d 1507 (M.D. Tenn. 2009)

District court denied plaintiffs' motion for summary judgment on claim of copyright infringement involving original architectural works. In addition to finding issues of fact concerning access, court found issues of fact concerning substantial similarity of protectable elements of works. "For architectural works, identifying the protectable aspects of the work requires a two part functionality test to: (1) determine whether there are original design elements present, including overall shape and interior architecture; and, if so, (2) examine whether the design elements are functionally required." While legislative history of Copyright Act "indicates that standard features not contemplated for protection under the definition of architectural works include 'common windows, doors, or other staple building components, ... the arrangement and composition of spaces and elements in the design,' including interior architecture, however, may qualify as an original design element." While court found each work contained original design elements, plaintiffs failed to meet burden to establish which elements were not functionally required, despite presenting evidence "that the sizing of a room could be a functional, aesthetic, or construction-based choice, or the result of a combination of these influences [, and] that computer software programs can affect the layout of houses."

*Tri-Marketing, Inc. v. Mainstream Marketing Services, Inc.*, No. 09-13, 2010 U.S. Dist. LEXIS 46958 (D. Minn. May 12, 2010)

Plaintiff, telemarketing services company that generates leads for insurance industry, operated website that allowed insurance companies or agents to purchase its services. Plaintiff sent cease and desist letter to defendants, plaintiff's competitors, demanding that they stop copying plaintiff's website, and in January 2009 filed action for copyright infringement. Defendants moved for summary judgment, arguing that there was no

substantial similarity of expression between two websites. Plaintiff, defendants argued, was confusing similarity of ideas and subject matter with expression of them. Court agreed with defendants, noting that “[b]oth websites involve the insurance leads business and therefore necessarily contain similar general ideas and terms relating to the delivery of leads, products and services offered, and pricing.” Court concluded that “reasonable minds could not differ in concluding that the means of expression, organization and format of the websites are dissimilar.” Court found that similarities between websites were “either noncopyrightable ideas, scenes a faire, standard industry or website language, or of an insubstantial nature.” Court granted defendants’ motion for summary judgment.

*Staggs v. West*, 92 U.S.P.Q.2d 1764 (D. Md. 2009)

District court granted motion to dismiss infringement claim. Plaintiff, singer/songwriter, in 1984 created song entitled “Volume of the Good Life.” Plaintiff befriended singer Kanye West and gave him access to his website to download his music. Plaintiff contended that West misappropriated his song in creating his 2007 song “Good Life.” District court found no actionable similarity between two works. Court did not detect any similarity at all between melodies. With regard to lyrics, court held that any similarities were between “common words or phrases” (e.g., “good life”) that “are not copyrightable” as they “lack a minimum level of creativity.” Court granted defendant’s motion to dismiss on basis of lack of substantial similarity.

*Doody v. Penguin Group (USA) Inc.*, 673 F. Supp. 2d 1144 (D. Haw. 2009)

District court granted defendant’s motion for summary judgment, finding no substantial similarity between works at issue. Plaintiff had sent defendant multiple versions of manuscript for fictional novel *Gold of the Khan*. Defendant rejected manuscripts. Plaintiff contended that protected elements of manuscript were incorporated into adventure novels by Clive Cussler and Dirk Cussler, including *Treasure of Khan*, *Trojan Odyssey*, *Golden Buddha*, *The Navigator*, and *Lost City*. Defendant moved for summary judgment dismissing claim on ground that novels were not substantially similar. To determine substantial similarity at summary judgment stage, court applied objective “extrinsic test,” focusing on “articulable similarities between the plot, themes, dialogue, mood, setting, pace, characters, and sequence of events in the two works,” while ignoring similar but unprotectible elements such as scenes a faire. Court rejected plaintiff’s contention that substantial similarity should be assessed “not merely between *Gold of the Khan* and each Cussler Book separately, but between *Gold of the Khan* and the Cussler Books collectively.” Court stated that “[p]ulling out disparate aspects across multiple works would disembowel this analysis and result in a list of random similarities, which the Ninth Circuit has rejected.” Instead, court compared plaintiff’s work to specific work, *Treasure of Khan*, that plaintiff alleged was substantially similar on its own. Court found that any similarities went to general ideas and scenes a faire, and unprotectible catch phrases such as “I’ll take over from here.” Even though two works shared one word in titles (“Khan”), that was insufficient to warrant finding of substantial similarity. Court granted Defendant’s motion for summary judgment.

### C. Contributory/Vicarious Infringement

*Lanard Toys Limited v. Novelty, Inc.*, No. 08-55795, 2010 U.S. App. LEXIS 7585 (9th Cir. Apr. 13, 2010)

Ninth Circuit, in unpublished opinion, found no reversible error district court's ruling, on post-judgment motion, that substantial evidence supported jury findings of liability of defendants that transported and distributed infringing copies of copyrighted works. Defendants Novelty Wholesale, Inc. and Novelty Transportation, Inc. transported knock-offs of plaintiff's toys from one location to sales points for defendant Novelty, Inc. Jury found that knock-offs infringed plaintiff's copyrights, and that Novelty Wholesale and Novelty Transportation were liable for copyright infringement. Ninth Circuit affirmed. There was substantial evidence from which jury could infer that Novelty Wholesale and Novelty Transportation acted with knowledge of infringing activity in performing transportation and distribution services for Novelty, Inc., where Novelty, Inc. was their sole customer; single person, Mr. Green, owned and was officer of all three companies and was actively involved in their operations; and all companies jointly realized revenue from infringing activities.

*Arista Records, LLC v. Lime Group, LLC*, No. 06-5936, 2010 U.S. Dist LEXIS 46638 (S.D.N.Y. May 11, 2010)

Court granted summary judgment on secondary liability against providers of Lime Wire P2P file-sharing system, on grounds of inducement. Under Supreme Court *Grokster* decision of 2005, and subsequent remand decision, inducement requires showing that defendant engaged in purposeful conduct that encouraged infringement by others, with intent to encourage such infringement. Although much of decision dealt with evidentiary disputes, court's liability analysis cited extensive conduct by defendants that satisfied *Grokster* inducement standard, which court noted was "a form of the long-established cause of action for contributory copyright infringement." Specifically, court observed that defendants were aware of "substantial infringement by users," made affirmative efforts to "attract infringing users" and to "enable and assist users to commit infringement," relied heavily on infringing use for success of their business, and failed to "mitigate infringing activities." Nearly all files shared by users were copyrighted and unauthorized, according to statistical study by plaintiff's expert. Internal emails and public marketing materials showed defendants' awareness, and defendants even maintained news-clipping file labeled "Knowledge of Infringement." Defendants actively sought to capture former users of Napster service when latter was enjoined, such as by buying Google Adwords like "replacement napster" and other phrases containing words "napster," "Kazaa," "Morpheus" and "mp3," and by running banner ads touting defendants' superiority to other illegal services. Defendants' web interface allowed users to easily locate infringing content, such as by genre categories like "Top 40," and defendants themselves tested their system by searching for unauthorized content and offered technical assistance to users seeking infringing material. Defendants' business grew more than threefold from 2004 to 2006, growth that "depended greatly on Lime Wire users' ability to commit infringement." Defendants failed to mitigate by implementing available filtering technology. Defendants "in fact employ active filtering technology, but only to prevent

Lime Wire users from sharing digital recordings purchased from the Lime Wire online store.” Citing *Aimster*, court stated that “failure to utilize existing technology to create meaningful barriers against infringement is a strong indicator of intent to foster infringement.” Accordingly, plaintiffs’ motion for summary judgment was granted as to inducement, though court declined to rule on contributory infringement under traditional “material contribution” rubric because genuine fact issue existed as to applicability of “substantial noninfringing use” defense under facts at issue.

*Arista Records, LLC v. Usenet.com, Inc.*, 633 F. Supp. 2d 124 (S.D.N.Y. 2009)

On cross-motions for summary judgment, court held on-line service liable for inducement of infringement by its users, and also liable for direct, contributory and vicarious infringement. Service was not peer-to-peer but instead held infringing content on its own servers, uploaded by subscribers. As to direct liability, court held that defendant engaged in sufficient volitional conduct to support liability because, unlike Cablevision in *CNN v. CSC Holdings, Inc.*, 536 F.3d 121 (2d Cir. 2008), defendant’s system was not fully automated “passive conduit” for users’ infringements. By taking active steps such as creating dedicated MP3 servers, increasing retention times of digital music files, and blocking certain categories of content, defendant itself was directly liable for distribution under Section 106(3). As to inducement, court found that under standard applied in *MGM v. Grokster*, 545 U.S. 913 (2005), defendant was liable because it knowingly took affirmative steps to foster infringement by its users: it promoted itself as alternative to Napster service after latter was enjoined, it assisted users in committing infringement, it chose not to use available filtering tools to mitigate infringement, and it built its business in reliance on high-volume infringing use. Thus, intent was so clearly established that no jury trial was necessary. As to traditional contributory infringement, court declined to apply “substantial noninfringing use” defense because defendant maintained “ongoing relationship” with users and did not merely provide technology in one-time transaction. Court did not resolve whether “substantial noninfringing use” defense applies to vicarious infringement, but held that defense was not established on these facts anyway, so argument was moot.

*Controversy Music v. McClellan*, No. 08-13805, 2009 U.S. Dist. LEXIS 84635 (E.D. Mich. Sept. 17, 2009)

District court granted plaintiff’s motion for summary judgment on copyright infringement claim under theory of vicarious liability. Prerequisites for vicarious liability for corporate officer are: “(1) the officer has the right and ability to supervise the infringing activity, and (2) the officer has a direct financial interest in such activities.” Court found individual defendant vicariously liable for infringement where copyright-protected music was played without license at bar. Defendant “admitted in his deposition that he had the right to control the music played at the bar owned by the corporate Defendant [and] also concedes that he is the sole proprietor of the corporate Defendant and thus would necessarily benefit financially from its profits.”

#### **D. Criminal Infringement**

*United States v. Dadamuratov*, No. 08-15900, 2009 U.S. App. LEXIS 16871 (11th Cir. July 28, 2009)

Eleventh Circuit affirmed criminal conviction for willful copyright infringement. It is criminal offense to (1) willfully (2) infringe copyright, if (3) infringement was committed (A) for purposes of commercial advantage or private financial gain; (B) “by reproduction or distribution ... during any 180-day period, of 1 or more copies ... of 1 or more copyrighted works, which have total retail value of more than \$1,000; or (C) by distribution of work being prepared for commercial distribution ..., if such person knew or should have known that work was intended for commercial distribution.” Court held that government presented sufficient evidence to prove each element of offense. In police interview in unrelated battery matter, defendant-appellant admitted that he was owner of Moscow Grocery and was “running the show,” and that he rented American movies dubbed in Russian, that were downloaded from internet onto DVDs by someone for him. Officers seized electronic equipment at Moscow Grocery including multiple computers, hard drives, and machines to record from VHS tape or DVD onto another DVD; hundreds of VHS tapes and DVDs; and stacks of blank, recordable DVDs and DVD covers. Employee testified defendant-appellant gave her new movies to catalog with older rentals. In addition, defendant-appellant admitted that he personally rented four movies, one of which was still playing in theaters when it was rented, to one person. Evidence that copies were not authorized included that some of DVDs were on recordable DVD discs with no artwork, had movies on each side of recordable DVD, lacked FBI warnings, movie previews and credits, appeared to be filmed by individual with video camera in movie theater, and were screening versions from MPAA that contained warning against public viewing. Finding reasonable jury could conclude that government proved each element of crime and making all reasonable inferences in favor of jury verdict, court affirmed conviction for willful copyright infringement.

#### **E. Computer Works**

*Vernor v. Autodesk, Inc.*, 93 U.S.P.Q.2d 1336 (W.D. Wash. 2009)

District court granted plaintiff’s motion for summary judgment in declaratory judgment action, finding that transfer of copy of copyrighted computer software via “license” constituted transfer of ownership of copy, where licensee paid single price to copyright holder at outset of transaction, and where license made no provision for copyright holder to regain possession of copy. Plaintiff made living selling items on eBay. When he attempted to sell “AutoCAD packages,” which consisted of CD encoded with defendant’s copyrighted AutoCAD software inside Autodesk-commissioned box, defendant Autodesk sent takedown notices under Digital Millennium Copyright Act. Plaintiff, who acquired AutoCAD packages in connection with sale of office equipment by defendant’s licensee Cardwell Thomas Associates (CTA), brought action for declaratory judgment that sale of AutoCAD packages did not violate Copyright Act. Plaintiff claimed to be owner of software package copies under First Sale Doctrine, whereby rightful owner of copy of copyrighted material is

entitled to sell or otherwise dispose of that copy. Autodesk, plaintiff argued, transferred ownership of copies to CTA, and CTA transferred ownership to him; he therefore had “first sale” right to sell those copies. Defendant argued that its transfer to CTA was not transfer of ownership, and demonstrated that, when sold, jewel case containing software was sealed with sticker advising that software was subject to license agreement, and box contained copy of license agreement that severely restricted use and transfer of copy. Court, noting conflict between prior Ninth Circuit decisions in *Wise* and “MAI Trio,” adopted reasoning of *Wise*, holding that where transferee may retain possession of transferred copy indefinitely, and copyright holder had no right to regain possession, there was transfer of ownership. Autodesk argued that instant case was different because agreement was computer software agreement, which should be judged in context of software industry. Court rejected argument, holding that industry practice cannot overcome plain terms of agreement. Court granted plaintiff’s motion for summary judgment that his sale of AutoCAM packages did not violate Copyright Act. Case is on appeal.

#### F. Miscellaneous

*Lanard Toys Limited v. Novelty, Inc.*, No. 08-55795, 2010 U.S. App. LEXIS 7585 (9th Cir. Apr. 13, 2010)

Ninth Circuit, in unpublished opinion, found no reversible error in district court’s ruling that substantial evidence supported jury finding of willfulness on part of defendant that sold knock-offs of plaintiff’s toys. Ninth Circuit reasoned that evidence—including (1) exactitude with which infringing toys copied plaintiff’s design, confirmed through direct observation and testimony of expert and lay witnesses; (2) fact that defendant had willfully infringed copyrights of other toy companies; (3) testimony of defendant’s president that “China’s toy manufacturing industry is a ‘den of piracy’”; (4) defendant’s purchase of knock-off toys from Chinese company that boldly copied plaintiff’s products; (5) president’s testimony that no “copyright check” is normally made for goods bought in China, and none was made this case; and (6) defendant’s practice of sending samples of “hot products” found in U.S. to its Chinese vendors to copy and package as defendant’s products—viewed in its entirety, was sufficient to support jury’s finding of willful infringement. Because it affirmed jury’s finding of willful infringement, court of appeals also awarded plaintiff its reasonable attorneys’ fees incurred in appeal, finding such award appropriate pursuant to Section 505 to protect copyrights and deter infringement.

*Bridgeport Music, Inc. v. UMG Recordings, Inc.*, 585 F.3d 267 (6th Cir. 2009)

Sixth Circuit affirmed jury verdict on issue of willfulness. In 1998, defendants released song entitled “D.O.G. In Me” which incorporated elements of George Clinton funk classic “Atomic Dog.” Plaintiffs sent letter asking defendants to either license composition or to cease distribution of infringing work. Defendants did not respond to letter, and plaintiffs filed suit for copyright infringement. Defendants copied three elements of original work: use of word “dog” as musical punctuation, rhythmic panting, and “Bow Wow” refrain. Defendants argued that they had good-faith belief that their conduct constituted fair use.

Good-faith belief must, however, be supported by evidence, of which none was presented at trial. Good faith is defense to willfulness only if established prior to infringing act. It cannot be used as *post hoc* rationalization for infringement. Accordingly, court of appeals found no basis to set aside jury verdict on issue of willfulness.

*Brave New Films 501(C)(4) v. Weiner*, 91 U.S.P.Q.2d 1262 (N.D. Cal. 2009)

District court denied declaratory judgment plaintiff's motion for summary judgment against defendants on basis that there was no actual controversy with either defendant. Plaintiff uploaded video entitled "Michael Savage Hates Muslims" to YouTube. Video contained copyrighted audio excerpts from defendant Michael Weiner's talk radio program. Defendant Original Talk Radio Network, Inc. ("OTRN"), syndicator/distributor of talk radio content, claiming to represent owner of exclusive right infringed by plaintiff's video, sent DMCA takedown notice to YouTube with respect to plaintiff's video and 258 other videos. YouTube removed plaintiff's video, but restored it after plaintiff filed DMCA counter-notice. Plaintiff filed suit for declaratory judgment of non-infringement of Weiner or OTRN's exclusive rights. Weiner owned copyright in work excerpted by plaintiff by assignment from OTRN. Court denied summary judgment motion with respect to defendant Weiner for lack of "actual controversy" because parties disputed whether OTRN was acting as Weiner's agent in sending DMCA notice. Court, viewing evidence in light most favorable to non-movant, assumed that Weiner had no role in OTRN's sending DMCA notice. Resultant lack of actual controversy required court to deny summary judgment motion with respect to Weiner. Court denied summary judgment motion as to OTRN because OTRN did not own copyright in excerpted material, and claimed that it had no legal right to assert infringement claim against plaintiff, and because OTRN claimed that plaintiff's video was mistakenly included in list of 259 videos in takedown notice sent to YouTube. Moreover, merely sending takedown notice does not necessarily demonstrate live controversy. Resultant lack of actual controversy required court to deny summary judgment motion with respect to OTRN.

*Corbis Corp. v. Starr*, No. 07-3741, 2009 U.S. Dist. LEXIS 79626 (N.D. Ohio Sept. 2, 2009)

Court denied plaintiff's motion for summary judgment on issue of willfulness. Defendant Master Maintenance hired Defendant West Central to redesign and host its cleaning company website. Plaintiff found four of its images on Master Maintenance's redesigned website, and brought suit for copyright infringement. Defendants disputed source of images, each claiming they were supplied by other. Neither defendant licensed images from plaintiff, and neither defendant confirmed legal propriety of use of images. On motion for summary judgment, court found West Central liable for direct infringement and Master Maintenance liable for vicarious infringement. Plaintiff argued that defendants' infringement was willful because they did not inquire into legal propriety of use. Court disagreed. While such conduct is relevant factor in assessing willfulness, without more it is not dispositive. To find otherwise would render nearly all infringement, even most innocent and ignorant, willful. Accordingly, court denied summary judgment motion as to willfulness.

## VII. DEFENSES/EXEMPTIONS

### A. Fair Use

*Gaylord v. United States*, 595 F.3d 1364 (Fed. Cir. 2010)

Federal Circuit reversed holding of Court of Federal Claims that stamp issued by U.S. Postal Service made fair use of soldier sculpture constituting part of Korean War Veterans Memorial. Court of Federal Claims found first factor weighed heavily in favor of fair use because stamp was “transformative, providing a different expressive character than” sculpture. Federal Circuit disagreed. Court noted that inquiry must focus on purpose and character of stamp, rather than photograph of sculpture that appeared on stamp. Stamp did not reflect any “further purpose” beyond that of sculpture. Court concluded that first factor weighed “strongly against fair use.” On second factor, because stamp did not use sculpture in transformative manner, court saw “no reason to discount the expressive and creative nature” of original work, and concluded that second factor weighed against fair use. On factor three, court found that use of many sculpted soldiers in stamp weighed against fair use, and that weight was not mitigated by quality and importance of sculpture to stamp; sculpture constituted essentially entire subject matter of stamp. Thus, third factor weighed against fair use. On fourth factor, court saw no clear error in Court of Federal Claims’ determination that stamp had not and would not adversely impact author’s efforts to market derivative works of sculpture, and agreed that fourth factor favored fair use. In sum, however, use of sculpture in stamp was not fair use. Even though stamp did not harm market for derivative works, to allow government to commercially exploit creative and expressive work would not advance purposes of copyright.

*Bridgeport Music, Inc. v. UMG Recordings, Inc.*, 585 F.3d 267 (6th Cir. 2009)

Sixth Circuit affirmed jury verdict on issue fair use. In 1998, defendants released song entitled “D.O.G. In Me” which incorporated elements of George Clinton funk classic “Atomic Dog.” Plaintiffs sent letter asking defendants to either license composition or to cease distribution of infringing work. Defendants did not respond to letter, and plaintiffs filed suit for copyright infringement. Defendants copied three elements of original work: use of word “dog” as musical punctuation, rhythmic panting, and “Bow Wow” refrain. Jury returned verdict denying defendants’ fair use defense. On appeal, defendants argued that use of copied elements was homage or tribute to original work, and that jury was not properly instructed on law. District court instructed jury that homage or tribute is “not necessarily fair use.” Court of appeals held that instruction was accurate statement of law, and furthermore, defendants introduced no evidence to explain how defendants were honoring “Atomic Dog,” noting that no such commentary appeared in credits or liner notes. Court found that only transformative use sub-factor weighed in favor of defendants, and that combined weight of other factors favoring plaintiff was greater. Thus, jury verdict was not against great weight of evidence, and court affirmed.

*Latimer v. Roaring Toyz, Inc.*, 601 F.3d 1224 (11th Cir. 2010)

Eleventh Circuit reversed grant of summary judgment to defendant Hachette, finding district court erred in raising fair use affirmative defense *sua sponte*. In connection with its unveiling of ZX-14 sport motorcycle, defendant Kawasaki engaged defendant Roaring Toyz to customize two of its ZX-14 motorcycles. Roaring Toyz hired independent painter Hathaway to apply custom paint and graphics to ZX-14 motorcycles. Plaintiff professional photographer Latimer was retained by Kawasaki to photograph customized ZX-14 motorcycles. Latimer subsequently granted permission to Kawasaki to use his photos, for which he obtained copyright registrations, at press event in Las Vegas, but claimed that his authorization was limited to use in screen presentation. During press event, Kawasaki distributed press kits containing digital images of Latimer's photographs to about 30 members of media, including representative of *Cycle World* magazine, owned by defendant Hachette. Hachette subsequently published Latimer's photographs that were included in press kits in conjunction with article in June 2006 issue of *Cycle World*. Latimer brought action for copyright infringement. Hachette did not assert fair use in its pleading, but district court raised same *sue sponte* and allowed parties to brief same. Latimer argued that fair use was affirmative defense that Hachette waived by not asserting it in its pleadings. District court ultimately granted summary judgment to Hachette based upon finding of fair use. Circuit court found that district court erred by raising fair use *sua sponte*, holding that fair use is affirmative defense and that failure to plead affirmative defense generally results in waiver of that defense. However, court of appeals remanded to district court, noting that there are exceptions to this rule, and that district court is free to entertain motion to amend to assert affirmative defense of fair use.

*Sony BMG Music Entm't v. Tenenbaum*, 672 F. Supp. 2d 217 (D. Mass. 2009)

Court granted summary judgment for plaintiff record labels, rejecting argument by individual file-sharing defendant Joel Tenenbaum that his P2P activities were fair use. Although "the Court was prepared to consider a more expansive fair use argument than other courts have credited" defendant "mounted a broadside attack that would excuse all file sharing for private enjoyment. ... In his view, a defendant just needs to show that he did not make money from the files he downloaded or distributed—i.e., that his use was "non-commercial"—in order to put his fair use defense before a jury. And every non-commercial use, to him, is presumptively fair. Beyond that threshold, the matter belongs entirely to the jury, which is entitled to consider any and all factors touching on its innate sense of fairness—nothing more and nothing less. ... Defendant's version of fair use is, all in all, completely elastic, utterly standardless, and wholly without support." Court noted that defendant's own counsel, and several experts named as possible testifying witnesses, had publicly rejected argument that file-sharing was fair use. Court considered whether fair use, as equitable defense, was ever properly resolved by jury, but "[s]ince two leading copyright historians suggest that the equitable label may be a misnomer, and since neither party pressed the point, the Court will assume that fair use is a jury question, and leaves the equitable origins of this defense for another court to answer." Issue was moot, however, because defense was inapplicable to defendant's conduct. Applying first statutory factor, court

declined to label Tenenbaum's use "commercial," but noted that "the label is not critical to the 'fair use' analysis. More important for this inquiry, and weighing against defendant, is the conclusion that this use was not accompanied by any public benefit or transformative purpose that would trigger the core concerns of the doctrine. ... Nothing about Tenenbaum's use of these sound recordings was remotely transformative, or served other public ends." Second factor was of little import, as usual. Under third factor, defendant argued that "it is the albums in which the plaintiffs registered their copyrights," and individual songs copied were only small parts of registered works, but court rejected this argument as "the proverbial distinction without a difference. Individual songs are regularly treated as the relevant unit for evaluating the infringement or fair use of musical works." Fourth factor also weighed against defendant because court "sees little difference between selling these works in the public marketplace and making them available for free to the universe of peer-to-peer users. If anything, the latter activity is likely to distribute even more copies—and therefore result in a bigger market impact—because there is no cost barrier at all. It is difficult to compete with a product offered for free." Defendant's argument "would simply eliminate the market for digital downloads among individual consumers by transforming all file sharing for private enjoyment into fair use. Who would continue to use the iTunes Store or its equivalents, under the circumstances? The Copyright Act grants the plaintiffs an exclusive right to distribute these works; file sharing effectively displaces that right, and the market it represents, by offering the same works for free." Court also considered various non-statutory factors raised by defendant, but found them insufficient to raise genuine issue as to fair use. As to defendant's argument that "plaintiffs allegedly assumed the risk that their hugely popular music would be dispersed over peer-to-peer networks like Kazaa," simply by making recordings digitally available without encryption, court held that labels' actions did not cause "waiver or abandonment of copyright." Moreover, "[a]s for the plaintiffs' failure to encrypt, the Copyright Act makes plain that not even copyright registration, deposit, or notice is needed to legally protect artistic works. *See* 17 U.S.C. §§ 405(a), 407(a), 408(a). Requiring even more substantial affirmative steps by copyright holders, like encryption, would be inconsistent with these provisions. As a practical matter, it would be akin to the idea that the copyright holders of literary works must mount a campaign against the photocopier or scanner in order to preserve their legal rights. The ease of reproduction or transmission is simply not relevant to liability; copyright law is itself the source of protection." Court was more sympathetic to defendant's argument that plaintiffs did not offer consumers any viable licensed alternative to illegal downloads during early years of internet, but "[w]hatever the availability of authorized digital alternatives when peer-to-peer networks first became widespread in 1999, it is clear that by August 2004—when Tenenbaum's file sharing was detected—a commercial market for digital music had fully materialized. ... In light of the chronology here, the unavailability of paid digital music is simply not relevant." As to alleged "injustice" of plaintiffs' litigation overall, court noted that it was "very, very concerned that there is a deep potential for injustice in the Copyright Act as it is currently written. It urges—no implores—Congress to amend the statute to reflect the realities of file sharing." Court also repeated that it could "envision a scenario in which a defendant sued for file sharing could assert a plausible fair use defense," such as where defendant "shared files during a period before the law concerning file sharing was clear and paid outlets were readily available," or upon consideration of factors like "with whom he shared files—a few friends

or the world—as well as how many copyrighted works he shared, and for how long.” Ultimately, however, court concluded that “[w]hether the widespread, unlimited file sharing that the record suggests he engaged in benefits the public more than our current copyright protections is a balance to be struck by Congress, not this Court.”

*Sedgwick Claims Mgmt. Servs., Inc. v. Delsman*, No. 09-1468, 2009 U.S. Dist. LEXIS 61825 (N.D. Cal. Jul. 16, 2009)

District court granted *pro se* defendant’s inartfully drafted motion for summary judgment, liberally construing it as motion to dismiss. Plaintiff insurance claim service company sued defendant, employee of company serviced by plaintiff, for copyright infringement. Defendant created “WANTED”-style fugitive postcards featuring copyrighted photographs of plaintiff’s CEO and CFO, with derogatory claims about plaintiff’s business practices, and also morphed photographs into images of Adolph Hitler and Heinrich Himmler, and sent them to employees of plaintiff. Defendant argued that its use of plaintiff’s works was fair use. Court evaluated merits of defense, despite plaintiff’s argument that fair use is not to be decided on motion to dismiss, because no material facts were in dispute. District court found first statutory fair use factor to weigh strongly in favor of defendant because defendant’s use of plaintiff’s work, despite use of unaltered copies in defendant’s postcards, was transformative, in that it transformed plaintiff’s promotional photographs into vehicles for publicizing and criticizing plaintiff’s alleged business practices. District court found second fair use factor to be neutral because neither party argued it, and because, when transformativeness is found, factor is not terribly significant. Court found third factor to be neutral because use of entire images for “WANTED”-style fugitive postcards was reasonable given purpose of defendant’s use. Court rejected plaintiff’s argument that defendant’s use of plaintiff’s images diminished their value; court found fourth factor to favor defendant because defendant’s use did not usurp demand but suppressed it, like scathing theater review that kills demand for original, and such economic harm is not remediable under Copyright Act. Finding two factors weighed in favor of defendant and two were neutral, court held defendant’s use to be fair and dismissed plaintiff’s copyright claim.

*Warren Publ’g Co. v. Spurlock*, 645 F. Supp. 2d 402 (E.D. Pa. 2009)

District court held use of cover art images in book about artist who created images was fair use. Plaintiff published 191 issues of magazine *Famous Monsters of Filmland* starting in 1958. Defendant approached plaintiff about collaborating on career retrospective of Basil Gogos, artist whose work appeared most frequently on cover of *Famous Monsters*, but never reached agreement. Defendant made deal with artist himself to create book called *Famous Monster Movie Art of Basil Gogos*, intended to “carefully and respectfully illustrate the vast output and evolution of the artist.” Book contained 24 images that first appeared in *Famous Monsters*: 10 of actual magazine covers, and 14 of Gogos cover art alone. Plaintiff sued for copyright infringement, and defendant moved for summary judgment that use of images was fair. Use was transformative under first factor. Court found that while plaintiff had used cover art as tool to generate public interest and convey information, defendant’s book used images as historical artifacts to document and represent work of accomplished artist. On

second factor, defendant conceded that covers fell within core of Copyright Act's protective purposes since they were creative expression. Court found, however, that fact that magazines were out-of-print had "some bearing" on second factor. As to third factor court held that covers were not qualitative "heart" of magazines, but were instead used to catch eye of potential readers at newsstand; quality and importance of covers as used in original magazines was "relatively minor" in court's view. On market harm factor, court found that plaintiff's failure to exploit old magazines for decades tilted fourth factor for defendant by itself: "It would defy logic for this Court to accept Plaintiff's argument that, where the copyright owner has failed to utilize his copyrights for several decades, the district court's prohibition of defendant's productive and transformative use serves copyright's 'purpose, "[t]o promote Progress of Science and useful Arts.'" .... This alone places fourth factor in favor of Defendant." Court accordingly concluded use was fair use and granted defendant's motion for summary judgment on copyright claims. Case is on appeal.

*Blackwell Publishing, Inc. v. Excel Research Group, LLC*, 661 F. Supp. 2d 786 (E.D. Mich. 2009)

District court granted plaintiffs' motion for summary judgment on copyright claim. Defendant copy services provider maintained master copies of select portions of plaintiff's copyrighted course materials (gathered by professors) and charged students to make copies of those materials on defendant's copy machines without paying copyright fees to publishers. Plaintiffs, publishing companies, alleged that Excel violated their exclusive rights to reproduce and distribute their works by offering services to students at University of Michigan whereby professors gave Excel photocopies of select course materials to hold and maintain. Student needing materials came to Excel's premises and filled out form stating class in which student was enrolled. Excel lent master copy of materials to student for fee, and student copied materials at Excel's facilities. Excel staff were on hand to assist, but student was one that made copy. Excel argued that use constituted fair use. Court rejected defendant's fair use argument. First, purpose and character of use was for profit and commercial, and Excel could not stand in shoes of its customers who were making nonprofit, noncommercial use. While second factor, nature of work, weighed in favor of fair use, third and fourth factors weighed against finding. Fact that professors chose copied materials as required reading was evidence of their qualitative value. Because Excel was able to charge less than competition for materials, because it did not pay publishers, use adversely affected marketplace. Court rejected pretense that Excel was not reproducing plaintiffs' works simply because it was not one pushing button on copy machine. Court held that Excel's actions violated publishers' copyrights and granted motion for summary judgment.

*Reed v. Freebird Film Productions, Inc.*, No. 08-1761, 2009 U.S. Dist. LEXIS 90197 (N.D. Ohio Sept. 30, 2009)

Court denied defendants' motion for summary judgment. Plaintiff Craig Reed worked as professional stagehand for performing artists, including Lynyrd Skynyrd. In 1976 and 1977, Reed shot approximately 90 minutes of concert/behind-the-scenes footage depicting various members of Lynyrd Skynyrd. In July 1995, Reed signed written license agreement

“Agreement”) with defendant Freebird Video for use of his video footage (in two reels of film, Reel 1 and Reel 2) in Lynyrd Skynyrd documentary, to be produced by defendants. Freebird agreed to pay Reed \$2,500. If footage were ultimately included in documentary, additional payment of \$2,500 would be paid to Reed upon initial public performance of documentary. Plaintiffs filed copyright infringement suit, alleging that defendants infringed copyrights by including excerpts of Reel 1 and/or Reel 2 in live performances and video projects without consent. Defendants moved for summary judgment, dismissing plaintiffs’ claims. Defendants argued that any and all uses of Reel 1 were permitted under agreement, and that plaintiff expressly or impliedly licensed use of Reel 2 as well. Defendants argued that, in any event, defendants’ use was fair use. With respect to fair use, court discussed how “plaintiffs and defendants disagree as to the nature of the use—whether it served as an advertising and marketing tool for the band’s concerts, or whether it was meant to pay homage to deceased members of the band and to educate concert-goers about the historical roots of Lynyrd Skynyrd.” Parties had significantly disagreed about impact upon potential market value of copyrighted work, court observed. Fair use is mixed question of fact and law, and in view of competing declarations submitted by parties, court denied defendants’ motion for summary judgment.

## **B. Statute of Limitations**

*Parks v. ABC, Inc.*, No. 08-2514, 2009 U.S. App. LEXIS 18301 (2d Cir. 2009)

Second Circuit affirmed judgment for defendant. Plaintiff appealed dismissal of copyright infringement claims on statute of limitations grounds. Plaintiff claimed that defendant infringed musical works that were copyrighted in late 1960s and early 1970s. Defendant asserted statute of limitations defense, claiming that plaintiff was aware of alleged infringements far outside of three-year statute of limitations period. Court noted that “a cause of action accrues when the plaintiff knows or has reason to know of the injury upon which the claim is premised.” Here, evidence showed that plaintiff knew of claims “well before three years” prior to complaint. Further, to extent that plaintiff asserted that statute of limitations was tolled because of appellees’ fraudulent actions, plaintiff knew of alleged fraud by March 1970, when she contacted ABC Records and demanded that she receive contract that she was allegedly promised. Every act of infringement is “distinct harm” that gives rise to independent claim for relief, court stated. However, ABC Records could not have been responsible for any infringement that occurred within three years of filing of lawsuit, because it sold its interest in disputed songs in 1979. As for other defendants, plaintiff was given opportunity to amend complaint to allege any infringing activity that may have occurred within three-year limitations period, but specifically declined opportunity.

*Goldberg v. Cameron*, No. 05-03534, 2009 U.S. Dist. LEXIS 59633 (N.D. Cal. July 10, 2009)

District court granted plaintiff’s motion to amend complaint to add claim for contributory infringement, but held that claims which accrued outside three-year statute of limitations period would be barred. Court, noting conflicting authority, held that claim for contributory

infringement begins to accrue when there has been (1) act inducing or contributing to (2) act of direct infringement. Contributory infringement claim does not begin to accrue until resulting act of direct infringement occurs. However, later direct infringements do not restart statute of limitations for action based on contributory infringement. In 2005, plaintiff brought suit for direct infringement against writer/director James Cameron and writer/producer Gale Ann Hurd, alleging defendants misappropriated and incorporated script and soundtrack sent to New World Pictures around 1979 into series of *Terminator* action films. Court granted defendants' motion for summary judgment on direct infringement claim, finding plaintiff failed to show triable issue of fact as to whether defendants committed direct infringement after 2002 (i.e., within three-year statute of limitations). However, court also considered plaintiff's motion to amend complaint to allege contributory infringement. Plaintiff alleged that defendants made representations regarding creation and rights in *Terminator* films, which are relied upon by current distributors of *Terminator* films, without disclosing plaintiff's rights. As to *Terminator 1* and 2, court held plaintiff would reasonably have discovered alleged infringement shortly after release of popular films, and claims in connection with same were therefore barred by statute of limitations. However, plaintiff may not have been able to discover contributory infringement in connection *Terminator 3* until after release of film in 2003. Court found that, suit having been filed in 2005, such claim appeared to be within statute of limitations, and allowed plaintiff to amend.

*Williams v. Curington*, 662 F. Supp. 2d 33 (D.D.C. 2009)

Plaintiff Esther Williams filed complaint against defendant Robert Curington and several others, claiming copyright infringement pursuant to 1909 Act, as well as common law claims for breach of contract, false light and violation of right of publicity. All other parties other than defendant Curington either settled with Williams or were dismissed. Curington filed motion for summary judgment, arguing that Williams' copyright infringement claim was time-barred because it arose from recording agreement she signed in 1975. Williams argued that Copyright Act does not prohibit copyright owners from pursuing copyright claims accruing more than three years before filing of suit if owner did not discover and reasonably should not have discovered infringement before commencement of three-year period. She also argued that each individual sale of product containing unauthorized samples of her copyrighted sound recording constituted separate/distinct act of infringement. Court held that release date of each allegedly infringing song was appropriate date on which to begin running statute of limitations. Court noted that “[c]ourts have been careful not to make the statute of limitations too harsh—such as by barring a claim when plaintiff ‘through no fault of its own, discovers an act of infringement more than three years after the infringement occurred.’” However, copyright plaintiff has “duty of diligence: it is not enough that he did not discover he had a cause of action, if a reasonable man could have.” Court noted that “as a self-proclaimed music industry insider with an interest in ‘Last Night Changed it All,’ it is reasonable to conclude that Williams should have discovered the sampling in ‘Late Night’ within three years of its release.” Therefore, court held that copyright claims arising out of sale of “Late Night” that occurred more than three years before complaint was filed were time-barred. However, court denied Curington's summary judgment motion with respect to

any infringement claims arising from individual sales of song within three years prior to filing of complaint.

*MDM Group Associates, Inc. v. ResortQuest International, Inc.*, No. 06-1518, 2009 U.S. Dist. LEXIS 82318 (D. Colo. 2009)

District court held plaintiff's claims alleging infringing acts occurring more than three years prior to filing of complaint were time-barred. Plaintiff designed insurance waiver brochure for use by defendant in rental of vacation properties to clients. Parties terminated agreement, but defendant continued to use brochure. Plaintiff demanded that defendant cease use, but later found that defendant had used brochure on at least one subsequent occasion. Plaintiff filed suit for copyright infringement. Defendant argued that all claims were barred, since first related infringement was outside three-year window. Plaintiff contended that certain claims were timely, on theory that each infringement act was separate and distinct; and that claims outside three-year window were not time-barred due to defendant's fraud. Court agreed that each claim was separate and distinct; accordingly, claims within three-year window were timely. As to earlier claims, however, court declined to toll statute of limitations based on defendant's alleged fraudulent concealment. Plaintiff did not produce evidence that defendant knowingly and intentionally concealed infringing use of brochure after termination of agreement. Court further rejected plaintiff's tolling argument based on "continuing wrong" doctrine, which Tenth Circuit had not considered, but had been rejected by courts in Tenth Circuit.

### **C. Res Judicata/Collateral Estoppel**

*RDI of Michigan, LLC v. Michigan Coin-Op Vending, Inc.*, No. 08-11177, 2009 U.S. Dist. LEXIS 75081 (E.D. Mich. Aug. 24, 2009)

Plaintiff had exclusive license in Michigan for copyrights and trademarks to certain video poker games. Plaintiff obtained default judgment in state law breach of contract action against defendant for failing to make payment under lease agreement. Plaintiff sought entry of permanent injunction in federal court, alleging that defendant began illegal copying of video games prior to preliminary injunction hearing in state litigation. Defendant argued that plaintiff was not entitled to entry of judgment because federal case was based upon same transaction and same claims as contained in state litigation, where approximately \$2,000,000.00 judgment was entered in plaintiff's favor. Defendant argued that award in state litigation constituted actual damages for copyright infringement, thus precluding plaintiff's request for statutory damages. Court ruled for plaintiff for two reasons. First, state litigation involved only state law breach of contract claims related to lease agreement and did not involve any copyright infringement claims. Therefore, court ruled that no damages related to copyright infringement had been awarded to plaintiff to date, and plaintiff was not barred from additional recovery for copyright infringement. Second, defendant's conduct at issue in federal case did not even commence until 10 days after state litigation was filed. Accordingly, court ruled that plaintiff's infringement claims based on such conduct could not have been asserted when state litigation was filed.

#### D. First Sale Doctrine

*Pearson Education, Inc. v. Liu*, 656 F. Supp. 2d 407 (S.D.N.Y. 2009)

Court denied defendants' motion to dismiss complaint on ground that their activities were immunized by first sale doctrine. Plaintiffs were book publishers that held U.S. copyrights or exclusive right to reproduce and distribute books in U.S. Defendants purchased foreign editions of plaintiffs' books, which were manufactured abroad and of were lower quality than domestic editions, imported them into U.S. and resold them to domestic purchasers. Plaintiffs sought preliminary and permanent injunctions prohibiting defendants from selling foreign editions in U.S. Complaint did not allege that any copies were counterfeit or manufactured without plaintiffs' consent, nor did it allege that defendants did not own copies. Court denied defendants' motion to dismiss, ruling that plaintiff stated claim upon which relief could be granted. In denying defendants' motion to dismiss, court held "*dubitante*, that the first-sale doctrine does not apply to copies of a copyrighted work manufactured abroad." Court reasoned that because foreign editions were manufactured abroad, defendants did not acquire ownership of copies "lawfully made under" Title 17, as required by Section 109(a), and found that defendants' activities could be actionable under Copyright Act. In February 2010, question was certified to Second Circuit for interlocutory appeal.

*MDM Group Associates, Inc. v. ResortQuest International, Inc.*, No. 06-1518, 2009 U.S. Dist. LEXIS 82318 (D. Colo. 2009)

District court granted defendant's motion for summary judgment. Plaintiff designed insurance waiver brochure for use by defendant in rental of vacation properties to clients. Parties terminated license agreement, but defendant continued to use brochure. Plaintiff demanded that defendant cease use, but later found that defendant had used brochure on at least one subsequent occasion. Plaintiff filed suit for infringement, alleging that defendant's distribution of brochures designed and printed by plaintiff after termination of parties' relationship was in violation of plaintiff's distribution right. Defendant moved for summary judgment dismissing infringement claims, invoking first sale doctrine. Court found for defendant on distribution claim, holding that defendant's use of copies of brochure made by plaintiff was based on transfer of ownership and not license. Plaintiff presented no evidence that there was limitation on defendant's use of copies provided, and conduct of parties evidenced transfer of ownership.

*Vernor v. Autodesk, Inc.*, 93 U.S.P.Q.2d 1336 (W.D. Wash. 2009)

District court granted plaintiff's motion for summary judgment in declaratory judgment action, finding that transfer of copy of copyrighted computer software via "license" constituted transfer of ownership of copy, where licensee paid single price to copyright holder at outset of transaction, and where license made no provision for copyright holder to regain possession of copy. Plaintiff made living selling items on eBay. When he attempted to sell "AutoCAD packages," which consisted of CD encoded with defendant's copyrighted AutoCAD software inside Autodesk-commissioned box, defendant AutoDesk sent takedown

notices under Digital Millennium Copyright Act. Plaintiff, who acquired AutoCAD packages in connection with sale of office equipment by defendant's licensee Cardwell Thomas Associates (CTA), brought action for declaratory judgment that sale of AutoCAD packages did not violate Copyright Act. Plaintiff claimed to be owner of software package copies under First Sale Doctrine, whereby rightful owner of copy of copyrighted material is entitled to sell or otherwise dispose of that copy. Autodesk, plaintiff argued, transferred ownership of copies to CTA, and CTA transferred ownership to him; he therefore had "first sale" right to sell those copies. Defendant argued that its transfer to CTA was not transfer of ownership, and demonstrated that, when sold, jewel case containing software was sealed with sticker advising that software was subject to license agreement, and box contained copy of license agreement that severely restricted use and transfer of copy. Court, noting conflict between prior Ninth Circuit decisions in *Wise* and "*MAI Trio*," adopted reasoning of *Wise*, holding that where transferee may retain possession of transferred copy indefinitely, and copyright holder had no right to regain possession, there was transfer of ownership. Autodesk argued that instant case was different because agreement was computer software agreement, which should be judged in context of software industry. Court rejected argument, holding that industry practice cannot overcome plain terms of agreement. Court granted plaintiff's motion for summary judgment that his sale of AutoCAD packages did not violate Copyright Act.

#### **E. Miscellaneous**

*Thomas M. Gilbert Architects v. Accent Builders and Developers, LLC*, No. 08-2103, 2010 U.S. App. LEXIS 9299 (4th Cir. May 6, 2010)

Fourth Circuit affirmed district court's grant of summary judgment that defendants infringed plaintiff's architectural plans, and rejection of defendants' affirmative defense of implied license. Defendants acquired plaintiff's architectural plans from third party Aspect Properties, LLC. Individual defendant Tummillo partnered with Aspect to pursue townhouse project, and created Accent as vehicle to complete project. Tummillo ultimately acquired complete ownership of Accent, and wanted to make changes to architectural plans, but believed plaintiff's price to modify plans was too high. Tummillo made changes to plans himself, and removed all references to plaintiff and plaintiff's copyright notice. Defendants also made copies of plans for suppliers and contractors in order to construct townhouses. Fourth Circuit found contract between plaintiff and Aspect controlling, and determined that plaintiff did not intend to grant non-exclusive right to modify plans and to use plans as modified. Court noted that limited nature of license was evident where plaintiff's fees for reuse and changes to architectural plans clearly indicated that defendants did not have right to use and modify plans without plaintiff's involvement. Therefore, Fourth Circuit affirmed summary judgment dismissing defendants' implied license defense.

*Sierra-Pascual v. Pina Records, Inc.*, 660 F. Supp. 2d 196 (D.P.R. 2009)

District court denied defendant's motion for summary judgment based on equitable estoppel, finding material issues of fact relating to extent of parties' knowledge of facts relating to

implied, nonexclusive license agreement between parties. Plaintiff sued defendant for copyright infringement, alleging that defendant published and distributed song *Noche Triste* without plaintiff's consent. Parties collaborated on initial recording of song, which was released on Internet. When song became popular, parties together recorded music video and second version of song. Plaintiff alleged that defendant subsequently released *Noche Triste* for sale in his album called *Masterpiece* without plaintiff's consent. Plaintiff brought copyright infringement action. Defendant filed motion for summary judgment, asserting affirmative defense of equitable estoppel, claiming plaintiff granted implied non-exclusive license to defendant and was therefore barred by his own actions from bringing copyright infringement claim. Court noted that equitable estoppel requires that (1) party to be estopped must know facts; (2) party to be estopped must intend that his conduct be acted on or act in way that leads party asserting estoppel to believe it is so intended; (3) person asserting estoppel must be ignorant of true facts; and (4) party asserting estoppel must rely on estopping conduct to his detriment. Court found material issues of fact relating to extent of knowledge of facts by both plaintiff and defendant, and denied motion for summary judgment on ground of equitable estoppel.

## VIII. REMEDIES

### A. Damages and Profits

*Lucky Break Wishbone Corp. v. Sears Roebuck & Co.*, No. 08-35933, 2010 U.S. App. LEXIS 7196 (9th Cir. Apr. 7, 2010)

Ninth Circuit upheld jury's award of actual damages as supported by substantial evidence. Court noted that actual damages are usually determined by loss in fair market value of copyright, measured by profits lost due to infringement or by value of use of copyrighted work to infringer. Defendant contended that actual damages should be measured by plaintiff's lost profits, and that jury failed to deduct cost of manufacturing wishbones in computing profits. Jury was not restricted, however, to awarding lost profits; even if it were so restricted, plaintiff quoted price of 32.9 cents to defendant per individually packaged wishbone similar to kind Sears eventually used, amounting to total of \$329,263.20 for 1,000,800 wishbones. That amount, court noted, was substantially higher than jury's award of \$190,152 in actual damages for infringement of wishbone design. Court therefore could not conclude that jury failed to take cost of manufacturing into account in determining lost profits, or what fair market value of lost license fee would have been. Jury was not asked to explain its reasoning and was properly instructed.

*Maverick Recording Company v. Harper*, 598 F.3d 193 (5th Cir. 2010)

Fifth Circuit affirmed district court's finding of infringement, but reversed finding that defendant was entitled to "innocent infringer" defense. Plaintiff record company sued individual defendant for copyright infringement based on defendant's "sharing" of plaintiff's copyrighted music on peer-to-peer network. Lower court denied plaintiff's request for statutory damages of \$750 per infringed work. Defendant claimed she was "innocent

infringer” under Section 504(c)(2), which provides for reduction of statutory damages to not less than \$200 per infringed work if infringer proves she was “not aware and had no reason to believe that ... her acts constituted an infringement.” Lower court awarded plaintiff \$200 per infringing work. Plaintiff argued that Section 402(d) bars innocent infringer defense when proper copyright notice “appears on the published ... phonorecords to which a defendant ... had access,” under which circumstance claim by defendant that she did not understand what she was doing is null and void. Court of appeals agreed, and found plaintiff entitled to \$750 per work infringed as matter of law. Plaintiff’s copyright notice on each published phonorecord that defendant used to share audio files was sufficient to overcome innocent infringer defense, and render defendant’s claims of ignorance irrelevant for purposes of statutory damages.

*Thomas M. Gilbert Architects v. Accent Builders and Developers, LLC*, No. 08-2103, 2010 U.S. App. LEXIS 9299 (4th Cir. May 6, 2010)

Fourth Circuit affirmed district court’s grant of summary judgment that defendants infringed plaintiff’s architectural plans, and rejected defendants’ argument that district court improperly refused to subtract defendants’ operating expenses in awarding damages for profits. Fourth Circuit agreed with district court that defendants failed to carry burden of allocating portion of operating expenses attributable to townhouse units based on infringing plans that were actually sold. Court rejected defendants’ argument that district court should have assumed burden of allocation. Court noted that defendants’ claim that their accountant followed GAAP rules in deducting entirety of defendants’ operating expenses was not relevant for assessing damages for copyright infringement, as some of defendants’ operating expenses had no relation to infringing acts. Accordingly, court affirmed award of infringing profits without deducting operating expenses from gross revenues.

*Hoffman v. O’Brien*, No. 09-1408, 2010 U.S. App. LEXIS 4070 (4th Cir. Feb. 26, 2010)

Fourth Circuit reversed district court’s denial of defendant-appellant’s motion for remittur or new trial on issue of damages because evidence in record was insufficient to support jury’s award in infringement suit. Jury awarded plaintiff \$201,550 in damages for defendant’s deceased husband’s unauthorized use of plaintiff’s photograph. Prevailing plaintiff in infringement action is entitled to actual economic damages and profits attributable to infringement not already counted in actual damages. Actual damages can be fair market value of lost licensing fee or lost fair market value in copyright. In calculation of actual damages, some degree of speculation is permitted, but calculation must be supported by evidence and must not be based on undue speculation. Defendant argued that jury included non-economic damages in calculation. Court of appeals found jury instructions were clear and, because jury did not provide apportionment of damages, there was no evidence from which court could conclude jury did not follow instructions. Court agreed with defendant, however, that there was insufficient evidence to support award; plaintiff, in fact, offered no reliable evidence on which damage award could be based. Plaintiff offered only general claims about harm suffered and damage to market. Court found such evidence insufficient to

support jury's damage award, and reversed on issue of damages and remanded for trial re same.

*Quantum Systems Integrators, Inc. v. Sprint Nextel Corp.*, No. 08-1534, 08-1585, 2009 U.S. App. LEXIS 14766 (4th Cir. July 7, 2009)

Fourth Circuit affirmed award of lost license fee to plaintiff, but declined to award portion of defendant's profits. Plaintiff sued alleging claims for copyright infringement based on loading of plaintiff's software into RAM of 13 Sprint computers. In 1997, Sprint licensed software from plaintiff for use on several hundred Sprint computers to perform data-monitoring functions. In 2004, Sprint switched providers, replacing plaintiff's software with software from another vendor. In 2005, plaintiff sued Sprint for unauthorized use of its software on Sprint computers and parties settled suit. Sprint agreed to stop using plaintiff's software within 60 days of settlement. In 2007, Plaintiff sued Sprint again, after receipt of auto-reporting messages indicating that plaintiff's software remained on some Sprint computers. District court found liability with respect to eight Sprint computers. Jury awarded plaintiff software license fee (\$8,700) for each infringing computer, for total of \$69,000. Plaintiff argued that it was entitled to presumption that Sprint's gross revenues from its infringing network were recoverable as profits. Court affirmed district court's judgment that plaintiff was not entitled to portion of defendant's profits, explaining that "[t]he record shows—and Plaintiff does not dispute—that the infringement of Plaintiff's software in this case consisted of RAM copies that were automatically generated whenever an infringing computer was turned on or rebooted. The record also shows that none of Sprint's employees had in fact knowingly used the software for its intended purpose during the infringement period ... we find that Plaintiff has failed to demonstrate that any of Sprint's profits were 'reasonably related to' the automatically generated RAM copies."

*Semerdjian v. McDougal Littell*, 641 F. Supp. 2d 233 (S.D.N.Y. 2009)

District court denied in part defendant textbook company's motion for summary judgment. Plaintiff, heir of professional painter, entered into licensing agreement with defendant to include reproductions of painter's works in textbooks. License permitted reproduction of paintings in 40,000 copies of textbook; defendant, however, reproduced over 1.3 million copies. Plaintiff sued for infringement and sought disgorgement of defendant's profits pursuant to Section 504(b). Defendant argued that plaintiff must show evidence not only of gross revenues from infringing products, but also portion of revenues related to infringement. Court disagreed, holding that plaintiff's burden, at this stage, was merely to show price and number of copies sold, which plaintiff did. Defendant argued further that even if proceeds were attributable to infringement, profits are necessarily included in reasonable license fee; thus, under Section 504(b), profits would already be included in actual damages, and any further recovery would be prohibited. Court disagreed, holding that issue was one of material fact that centered on whether images operate in competitive input market. If so, then profits would be duplicative of reasonable license fee and unrecoverable; if not, then profits would not be duplicative and thus could be disgorged. Regardless, any such determination was not appropriate at summary judgment stage.

*Manno v. Tennessee Production Center, Inc.*, 657 F. Supp. 2d 425 (S.D.N.Y. 2009)

Plaintiff brought action for copyright infringement against defendant Tennessee Production Center, alleging that defendant violated Copyright Act through unauthorized sale of karaoke recordings that included plaintiff's composition. Manno sought statutory damages. Court held that defendant's own evidence demonstrated that it acted willfully in infringing plaintiff's copyright, such that plaintiff was entitled to up to \$150,000 in statutory damages. Court, noting that defendant was well aware that it was making sales of "numerous" songs without having first secured permission of owners, found that defendant had acted in "reckless disregard" of possibility that selling disk with plaintiff's song on it constituted infringement. "Case law recognizes that willfulness 'need not be proven directly, but may be inferred from the defendant's conduct,'" court stated. Court held that defendants had infringed one "work," so that plaintiff was entitled to single award of statutory damages for sale of CD+G with her song, containing synchronized lyrics and video. With regard to amount, court found that \$5,000 statutory damage award was warranted, given relatively small amount of profits involved, but wanted to deter defendant "from its practice of infringing first and seeking permission later." Lastly, court held that, in light of defendant's willful disregard of plaintiff's copyright interest, she was entitled to award of attorneys' fees and costs.

*Tu v. Tad System Technology, Inc.*, No. 08-3822, 2009 U.S. Dist. LEXIS 82410 (E.D.N.Y. Sept. 9, 2009)

Plaintiffs brought action pursuant to DMCA and Lanham Act, claiming defendants sold and distributed pirated versions of plaintiff's copyrighted software over Internet. Defendants failed to respond, and court entered default judgment against defendants, finding that under facts deemed to be admitted by court, defendants willfully infringed plaintiff's copyright and trademarks. Plaintiffs sought maximum statutory damages for each of defendants' copyright, DMCA and trademark violations. Court held that plaintiffs were not entitled to duplicative recoveries for same intellectual property theft under Copyright Act, DMCA and Lanham Act. Plaintiff seeking compensation for same injury under different legal theories is entitled to only one recovery. Here, defendants' manufacture, sale and distribution of "cracked" version of plaintiffs' software program accounted for plaintiffs' economic damages under either intellectual property statute and, as such, it was not necessary to award damages under all three. However, court enhanced plaintiffs' statutory damages to maximum because court inferred willful knowledge in this case from defendants' failure to defend action and because of defendants' deemed admission that their actions were unlawful.

*Sony BMG v. Tenenbaum* No. 03-11661 (D. Mass. 2009) (slip op.)

Jury in Massachusetts awarded \$675,000 in statutory damages against individual peer-to-peer file-sharing defendant for willful infringement of 30 of plaintiffs' copyrighted sound recordings. Although finding of "willfulness" would have allowed jury to award up to \$150,000 per infringed work, jury awarded \$22,500 per work, \$7,500 less than \$30,000 maximum award permitted for non-willful infringement. In determining amount of statutory

damages, court instructed jurors that, in addition to determining whether infringement was willful, they could consider following non-exclusive factors: “(a) The nature of the infringement; (b) The defendant’s purpose and intent; (c) The profit that the defendant reaped, if any, and/or the expense that the defendant saved; (d) The revenue lost by the plaintiff as a result of the infringement; (e) The value of the copyright; (f) The duration of the infringement; (g) The defendant’s continuation of the infringement after notice or knowledge of copyright claims; and (h) The need to deter this defendant and other potential infringers.” On January 4, 2010, defendant moved under Rule 59 for new trial, or alternatively for *remittitur*, on grounds including alleged unconstitutionality of Section 504(c) as applied in this case. That motion, opposed by plaintiffs and by United States as *amicus*, is presently *sub judice*.

*Cassetica Software, Inc. v. Computer Sciences Corp.*, No. 09-0003, 2009 U.S. Dist. LEXIS 51589 (N.D. Ill. June 18, 2009)

District court dismissed plaintiff’s copyright claim for statutory damages and attorneys’ fees, finding alleged infringement began before registration of plaintiff’s copyright. Plaintiff computer software developer had granted defendant nonexclusive, nontransferable license to download its program called NotesMedic, which addressed problems experienced when application LotusNotes crashed. License expired in 2003, but defendant allegedly continued to download plaintiff’s program through at least February 2009. Plaintiff obtained copyright registration for its program in January 2007, and brought action in January 2009. Plaintiff’s allegations revealed that alleged infringement began before registration of its copyright. Although plaintiff alleged that defendant continued to download plaintiff’s program after registration of its copyright, plaintiff could not recover statutory damages or attorneys’ fees when alleged infringement *commenced* before effective date of plaintiff’s copyright registration. This was so even where plaintiff attempted to limit its claim to events that occurred after registration. Because allegations revealed that alleged infringement commenced before plaintiff registered copyright, court dismissed claim for statutory damages and attorneys’ fees.

*Capitol Records v. Thomas-Rasset*, 93 U.S.P.Q.2d 1989 (D. Minn. 2010)

After second jury trial of individual file-sharing defendant Jammie Thomas resulted in much larger statutory damage verdict than first trial, court remitted damage award. In first trial, jury awarded statutory damages of \$220,000 for willful infringement of 24 works (\$9,166 per recording). Thomas moved for new trial on various grounds, however, court requested further briefing on additional ground which it raised *sua sponte*: whether court itself erred in jury instruction re: definition of “distribution.” In September 2008, court concluded that jury instruction was in fact erroneous therefore that new trial was required. 579 F. Supp.2d 1210 (D. Minn. 2008). In ordering new trial, court also opined that first jury’s verdict—\$9,166 per track—was “unprecedented and oppressive” award against “single mother” who “sought no profit from her acts.” In second trial, jury completed its deliberations quickly and returned verdict of \$1.92 million for willful infringement, almost nine times larger than first jury’s verdict. Thomas moved again for new trial asserting that statutory damages provision of

Copyright Act violates Due Process Clause of U.S. Constitution by, *inter alia*, permitting unfettered exercise of discretion for court to make oppressive awards without proper guidelines or notice. In making this argument, Thomas relied upon Supreme Court cases on punitive damages which impose Due Process requirements on such awards. In their briefs in opposition, plaintiffs and U.S. Department of Justice, as *amicus* supporting Constitutionality of statute, argued that Due Process concerns articulated in punitive damages cases do not apply to statutory damages awards, and that § 504(c) provides adequate notice of potential damages awards. Moreover, they argued, sufficient guidelines may be found in § 504(c)'s tripartite classification of infringing activity as non-willful, willful or innocent, as well as in its legislative history. Finally, they argued that in view of carefully chosen statutory scheme, § 504(c) is entitled to highly deferential review when challenged on Due Process grounds. In January 2010, court sidestepped Due Process challenge and instead vacated and remitted statutory damage figure to lesser amount, under its traditional common-law power of *remittitur*. Court set amount at \$54,000, or \$2,250 per song—three times statutory minimum of \$750 per title that Thomas had urged, but far below \$80,000 per song that jury had awarded. Defending *remittitur*, court explained: “ The need for deterrence cannot justify a \$2 million verdict for stealing and illegally distributing 24 songs for the sole purpose of obtaining free music. Moreover, although Plaintiffs were not required to prove their actual damages, statutory damages must still bear *some* relation to actual damages. [emph. original] The Court has labored to fashion a reasonable limit on statutory damages awards against noncommercial individuals who illegally download and upload music such that the award of statutory damages does not veer into the realm of gross injustice. Finding a precise dollar amount that delineates the border between the jury’s wide discretion to calculate its own number to address Thomas-Rasset’s willful violations, Plaintiffs’ far-reaching, but nebulous damages, and the need to deter online piracy in general and the outrageousness of a \$ 2 million verdict is a considerable task. The Court concludes that setting the limit at three times the minimum statutory damages amount in this case is the most reasoned solution. This award constitutes the maximum amount a jury could reasonably award to both compensate Plaintiffs and address the deterrence aspect of the Copyright Act. *This reduced award is significant and harsh.* [emph. original.] It is a higher award than the Court might have chosen to impose in its sole discretion, but the decision was not entrusted to this Court. It was the jury’s province to determine the award of statutory damages and this Court has merely reduced that award to the maximum amount that is no longer monstrous and shocking. Plaintiffs have seven days from the date of this Order to decide whether to accept the remittitur or request a new trial on the issue of damages.” After reported decision, plaintiffs declined to accept remittitur and requested new trial. In notice advising court of this decision, Document 371 in court’s PACER docket, plaintiffs faulted court for creating apparent cap of three times the statutory minimum damage award for any “noncommercial individuals who illegally download and upload music” and for ignoring many jurors who awarded much larger sums after hearing evidence of willful infringement adduced at trial. New trial date has been set for October 4, 2010.

*MEI, LLC v. Integral Applied Tech., Inc.*, No. 08-6046, 2009 U.S. Dist. LEXIS 79649 (D. Or. Sept. 1, 2009)

District court granted plaintiff software company's motion for summary judgment on copyright infringement claims. Plaintiff developed and copyrighted software for technology manufacturing companies. Defendant technology company purchased authorized copies of plaintiff's software for use with its customers. Subsequently, plaintiff notified defendant it would no longer provide software. Plaintiff alleged that defendant then copied plaintiff's software for continued use, modified it, and deleted references to plaintiff. Plaintiff filed suit against defendants for infringement, and moved for summary judgment. Court awarded plaintiff actual damages of \$11,900, but "decline[d] to award plaintiff defendants' 'profits'" without further explanation.

*Ghirmay v. Tsegia*, No. 07-1826, 2009 U.S. Dist. LEXIS 75706 (E.D. La. Aug. 10, 2009)

District court granted plaintiff's motion for default judgment, and ordered plaintiff to submit evidence regarding industry standards with respect to fair market value of license fee for songs and tracks used in DVDs. Plaintiff sought \$30,000 damages for 10 songs and master recordings unlawfully reproduced by defendant in film entitled *Men Efelt*, distributed on DVD. To arrive at figure, plaintiff alleged industry standards of 10-25 cents per track and per song per DVD. Using lower figure, plaintiff estimated 20 cents per DVD and further estimated sales of 15,000 DVDs. Alternatively, plaintiff stated that if asked, he would have licensed songs and master recordings for \$1,500 each, for total of \$30,000. Court found plaintiff's estimates to be completely unsubstantiated, and ordered plaintiff to brief court on industry practice of licensing songs and tracks used in DVDs.

*Nelson Design Group, LLC v. Puckett*, No. 07-177, 2009 U.S. Dist. LEXIS 69343 (E.D. Ark. July 28, 2009)

After bench trial, district court found defendants infringed plaintiff's copyrighted architectural plans. Defendant, who was employed by plaintiff, had access to plans, and new plans were identical to original plans in many respects, including containing same typographical errors. In assessing statutory damages, court awarded amount equal to twice plaintiff's lost licensing fee, approximately \$1,700 per plan. Although statute authorized damages up to \$30,000 per plan, court found defendant did not act with actual malice or contempt, but was motivated by fact he had young family and sick child and "simply needed the money." Statutory damages against co-defendants who were unaware of actual infringement were assessed at amount equal to plaintiff's lost licensing fees of \$850 per plan. Court refused to reduce damages under discretion; court did not find co-defendants "'had no reason to believe' that their acts constituted an infringement."

*Nat'l Council of Exam'rs for Eng'g & Surveying v. Cameron-Ortiz*, 626 F. Supp. 2d 262 (D.P.R. 2009)

Plaintiff non-profit corporation created standardized tests for use by various states and territories in administering engineering exams. Plaintiff registered copyright in each test with Copyright Office. Each individual test-taker, including defendant, signed statement agreeing to comply with security procedures, including agreeing not to record, copy or remove any questions from examination site. Defendant was caught with recording devices, attempting to copy questions from two examinations, breaching agreement. Plaintiff sued for copyright infringement, and upon defendant's failure to answer default judgment was entered for plaintiff. Plaintiff elected to recover actual damages, which, court noted, "are generally calculated with reference to the loss in the fair market value of the copyright ... loss in fair market value is appropriately calculated by determining the development costs for any infringed questions and infringed forms that are retired because of the compromise." Plaintiff was awarded damages incurred in having to replace test questions, as well as expenses incurred in identifying scope of infringements and effect on future administrations of exams. Actual damages totaled \$1,021,630.80. Plaintiff was also awarded injunctive relief under Sections 502 and 503; defendant was ordered to destroy all infringing materials in her possession.

#### **B. Attorneys' Fees**

*Bryant v. Media Right Prods.*, 603 F.3d 135 (2d Cir. 2010)

Second Circuit affirmed district court's denial of attorneys' fees to plaintiffs, who had prevailed on their copyright infringement claim but were entitled to only minimal statutory damages. Defendants, seeking reasonable resolution, had "made an Offer of Judgment in the amount of \$3000, which Appellants rejected, in favor of continuing to demand over \$1 million in damages, notwithstanding the evidence that Appellees had received less than \$600 in revenues from infringing sales."

*Vargas v. Pfizer Inc.*, No. 07-4085, 2009 U.S. App. LEXIS 24263 (2d Cir. 2009)

Second Circuit affirmed award of attorneys' fees of \$175,000 to defendants. District court granted summary judgment dismissing claim that defendants' sound recording titled "Aparthenonia" infringed plaintiffs' composition and sound recording titled "Bust Dat Groove Without Ride" on finding that there was absence of evidence to access element of plaintiffs' case. In evaluating whether award of attorneys' fees is warranted, Second Circuit places great emphasis on whether plaintiff's claims were objectively reasonable. Here, district court found, and court of appeals agreed, that they were not. Plaintiffs argued that it was "difficult, if not impossible," to find that their claims were not objectively reasonable, given that (1) court had to ask for more evidence from defendants before granting summary judgment; (2) plaintiffs had prevailed on defendants' first summary judgment motion; (3) plaintiffs successfully settled with three of five defendants; and (4) plaintiffs "initial[ly] survived Defendants' second motion for summary judgment." None of such arguments demonstrated that district court abused its discretion in awarding fees, however. Court of

appeals likewise rejected contention that award was inappropriate because it would “cause them financial ruin.” District court carefully considered plaintiffs’ financial situation before awarding fees, and noted that it was awarding amount significantly below what would have been reasonable under lodestar method (\$797,000) because such award would threaten plaintiffs with financial ruin.

*Cadkin v. Loose*, 569 F.3d 1142 (9th Cir. 2009)

Ninth Circuit reversed award of attorneys’ fees to defendants when plaintiff voluntarily dismissed without prejudice lawsuit that included copyright claims. Plaintiff filed complaint including copyright infringement, false designation of origin and California state law claims. Plaintiff alleged defendant removed plaintiff’s name as author and publisher of music cues composed by plaintiff, incorporated those cues into defendant’s library with defendant as sole author, and registered cues with Copyright Office, allowing defendant to obtain full royalty from cues. Plaintiff amended complaint twice, and defendant moved to dismiss, arguing that (1) state claims were preempted by Copyright Act, (2) factual allegations lacked specificity, and (3) federal copyright and trademark claims were waived because they were not included in amended pleadings. Plaintiff opposed motion to dismiss, and filed notice of voluntary dismissal. Defendants sought attorney’s fees and costs, which district court granted in view of *Corcoran v. Columbia Broadcasting System, Inc.*, 121 F.2d 575 (9th Cir. 1941) (holding defendant to be prevailing party “even though he may, at the whim of the plaintiff, again be sued on the same cause of action”). Ninth Circuit, however, held that material alteration test articulated in *Buckhannon Bd. & Care Home, Inc. v. W. Va. Dep’t of Health & Human Res.*, 532 U.S. 598 (2001), governed “prevailing party” inquiry under Copyright Act, overruling *Corcoran*. Plaintiffs’ voluntary dismissal did not alter legal relationship of parties because defendants remained subject to risk of re-filing. Therefore, defendants were not prevailing parties and, as such, were not entitled to attorney’s fees.

*Institute For the Development of Earth Awareness v. People for the Ethical Treatment of Animals*, No. 08-6195, 2009 U.S. Dist. LEXIS 78220 (S.D.N.Y. Aug. 28, 2009)

District court granted defendant PETA’s motion to dismiss plaintiff IDEA’s claims for statutory damages and attorneys’ fees where IDEA failed to adequately plead factual allegations of new acts of infringement by PETA following registration of IDEA’s copyright. In or about 1988, IDEA authored and published illustrated work called *The Dreaded Comparison: Human and Animal Slavery*. Subsequent to publication, IDEA and PETA discussed possibility of PETA being granted rights to reprint and distribute IDEA’s work, but no agreement was ever reached. IDEA registered copyright in its work in 2006. In its complaint, filed in 2008, IDEA alleged that “since at least 2005 and continuously to the present, PETA has, without authorization ... prepared, reproduced, distributed and publicly displayed certain textual and graphical materials ... copied from and substantially similar to protectable elements” of IDEA’s work. PETA argued that IDEA failed to allege in its complaint any new use of IDEA’s copyrighted material after IDEA’s registration of its copyright, and sought to preclude IDEA from obtaining statutory damages and attorneys’ fees. Section 412 bars recovery of statutory damages and attorneys’ fees where infringement

commenced after first publication and before registration, unless such registration is within three months after first publication. In *Troll v. Uneeda Doll*, Second Circuit explained that “plaintiff may not recover statutory damages and attorney’s fees for infringement occurring after registration if that infringement is part of an ongoing series of infringing acts and the first act occurred before registration.” Granted first leave to amend, IDEA asserted additional allegation that “PETA had commenced new infringements ... since the effective date of copyright in the Work ....” Court inexplicably found this new allegation could not plausibly give rise to entitlement to relief under *Twombly* pleading standard. Court refused to grant second leave to amend and dismissed claim.

*Harrell v. Van Der Plas*, No. 08-8252, 2009 U.S. Dist. LEXIS 52572 (S.D.N.Y. June 10, 2009)

Plaintiff sued, alleging that defendants republished and sold copies of copyrighted work without authorization. Defendants served plaintiff with written offer of judgment pursuant to Fed. R. Civ. P. 68, in amount of \$7,500. Offer of judgment was silent as to issue of costs. Plaintiff served defendants with written acceptance of offer of judgment, and requested Clerk of Court to enter judgment against defendants for \$7,500 with costs, including reasonable attorneys’ fees, set by court, upon application for same by plaintiff. Defendants served plaintiff with amended offer, clarifying original offer to recite that defendants’ offer of judgment included all costs. Because original offer of judgment for \$7,500 was silent as to costs and was accepted as such by plaintiff, court enforced first offer, and allowed plaintiff to make separate application for costs, including attorneys’ fees, in accordance with case law construing Fed. R. Civ. P. 68, which permits award of attorneys’ fees if underlying statute permits such award. Court, however, did not award such costs in its order, noting first that defendants contended that this case could be simple breach of contract case, in which case no attorneys’ fees could be awarded; and second, that reasonable attorney’s fees are discretionary under Copyright Act, and it was not clear whether such discretionary award would be appropriate. Court, therefore, directed plaintiff to file properly supported application setting forth basis for award.

*Warren Publ’g Co. v. Spurlock*, No. 08-3399, 2010 U.S. Dist. LEXIS 20584 (E.D. Pa. Mar. 3, 2010)

District court granted in part and denied in part defendant’s motion for attorneys’ fees. Court previously granted defendant’s motion for summary judgment that use of cover art images in book about artist who created images was fair use. Court considered nonexclusive *Fogerty* factors of “frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.” Court would “not presume that Spurlock is entitled to attorney’s fees. On the other hand, the Court remains mindful that numerous courts have awarded attorney’s fees to prevailing defendants in cases involving fair use.” Defendant, court noted, need not establish either bad faith on part of plaintiffs or “exceptional” circumstances in order to be awarded attorneys’ fees. Court found that although defendant presented evidence indicating that plaintiffs “possessed improper

motivations,” and although award would further goals of Copyright Act, it was less clear whether remaining factors also favored award of fees. While some of plaintiffs’ claims and arguments were objectively unreasonable, others were not; none rose to level of being frivolous. Court concluded that, taken together as whole, *Lieb* factors weighed in favor of defendant, albeit only for litigation stemming from plaintiffs’ claims and litigation positions court identified as being objectively unreasonable. Based on *Lieb* factors and entire factual record, court determined that proper amount of attorneys’ fees to be awarded to defendant was 35% of total fees defendant spent in preparing for and defending case.

*Studio A Entertainment v. Action DVD*, 658 F. Supp. 2d 851 (N.D. Ohio 2009)

District court granted in part and denied in part plaintiff’s motion for attorneys fees. Court found that defendant unlawfully purchased and re-sold unauthorized copies of plaintiff’s copyrighted adult films. Plaintiff sought attorneys’ fees under Section 505, and additional fees against defendants’ counsel personally under 28 U.S.C. § 1927 for “needlessly extending this litigation.” Court awarded plaintiff’s requested attorneys’ fees of \$173,368.96 based on evaluation of factors including need to deter others from similar conduct. Defendant took unreasonable and frivolous positions throughout case, and asserted baseless counterclaim for unfair business dealings, continued to litigate for over four years despite mounting evidence that DVDs were unauthorized, and refused proposed settlements, court noted. Attorneys’ records were thorough and detailed enough to warrant award of all of fees. Court denied plaintiff’s application for additional fees against defendant’s counsel personally under 28 U.S.C. § 1927. There was insufficient evidence to show that counsel “intentionally abuse[d] the judicial process or knowingly disregard[ed] the risk that his actions will needlessly multiply proceedings.” While defendant submitted expert’s report that proved to be meritless and unreliable, court did not conclude that expert was unqualified, or that report was fraudulently created, as suggested by plaintiff.

*Societe Civile Succession Richard Guino v. Beseder, Inc.*, No. 03-1310, 2009 U.S. Dist. LEXIS 95866 (D. Ariz. Sept. 25, 2009)

District court denied plaintiff’s motion for attorneys’ fees. Although plaintiff was prevailing party, award of attorneys’ fees is discretionary, and upon consideration of factors including (1) degree of success obtained, (2) frivolousness, (3) motivation, (4) reasonableness of losing party’s legal and factual arguments, and (5) need to advance considerations of compensation and deterrence. In denying fees, court found plaintiff’s victory was “Pyrrhic,” in that jury awarded plaintiff on its copyright claim only \$5,000 more than it awarded defendants on their Lanham Act claim; defendants’ defenses were meritorious and asserted in good faith—indeed, defense was based on controlling question of law for which there were substantial grounds for difference of opinion; and there was no need to deter defendants from further infringements.

*Giddings v. Vision House Prod. Inc.*, No. 05-2963, 2009 U.S. Dist. LEXIS 54931 (D. Ariz. June 11, 2009)

District court denied defendant's motion for attorneys' fees for lack of subject matter jurisdiction. Plaintiff's complaint for copyright infringement was dismissed for lack of subject matter jurisdiction. Defendant filed motion for costs and attorneys' fees. Court held that, in Ninth Circuit, if district court lacks subject matter jurisdiction with regard to underlying claim, then it also lacks subject matter jurisdiction over claim for costs and attorney's fees with respect to underlying claim. Further, fee-shifting provision of substantive statute does not confer subject matter jurisdiction where it is otherwise absent.

*Spacesaver Corp. v. Marvel Group, Inc.*, No. 08-354, 2009 U.S. Dist. LEXIS 95194 (W.D. Wis. Oct. 13, 2009)

Court denied defendant Marvel Group's motion for attorneys' fees and non-taxable costs. Plaintiff Spacesaver Corporation sued defendant for making and selling weapon cabinets that infringed plaintiff's design patents and copyright. Plaintiff voluntarily dismissed its copyright claim after considering defendant's affirmative defense that all of defendant's infringing sales were made to U.S. military, and plaintiff was therefore prohibited from suing under 28 U.S.C. § 1498(a). Court rejected defendant's argument that plaintiff's suit lacked merit, given that defendant undertook time and expense to redesign its product in response to plaintiff's lawsuit. Court also rejected plaintiff's argument that defendant should have anticipated its Section 1498 defense where defendant did not realize it had such defense until nine months after plaintiff filed its complaint. Moreover, plaintiff had no obligation to anticipate defendant's affirmative defense. Finally, court noted that unnecessary costs and fees were incurred by defendant's own strategy and tactics, where defendant failed to respond to plaintiff's initial offer to dismiss case without prejudice, and responded to plaintiff's second offer to dismiss demanding payment of more than double defendant's current estimated fees and non-taxable costs.

*Ghirmay v. Tsegia*, No. 07-1826, 2009 U.S. Dist. LEXIS 75706 (E.D. La. Aug. 10, 2009)

District court granted plaintiff's motion for default judgment and denied plaintiff's request for attorneys' fees. Defendant unlawfully reproduced plaintiff's songs in film entitled *Men Efelt*. On same day that copyright in plaintiff's songs was registered, plaintiff notified defendant of its infringement. Section 412 precludes award of attorneys' fees for infringement of work that was not registered prior to commencement of infringement or within three-months after work's first publication. Neither was case here; accordingly, court denied request for attorneys' fees.

### C. Injunction/Impoundment

*Salinger v. Colting*, 94 U.S.P.Q.2d 1577 (2d Cir. 2010)

In case involving alleged parody of J.D. Salinger's *The Catcher In the Rye*, Second Circuit reversed long-standing practice of presuming irreparable harm when likelihood of success on merits is established in copyright actions seeking injunctive relief. Court instead applied multi-factor test from Supreme Court's 2006 patent decision, *eBay v. MercExchange*, 547 U.S. 388 (2006). Court stated that *eBay* test would apply to any type of case in which either preliminary or permanent injunctive relief is sought. Second Circuit took no issue with district court's decision as to fair use, which was focus of case below, but reversed grant of preliminary injunction and remanded for further proceedings. In applying *eBay* to copyright context, court was guided by Justice Thomas' reliance, in his *eBay* majority opinion, on Supreme Court copyright cases, including *New York Times Co. v. Tasini* and *Campbell v. Acuff-Rose Music*, for conclusion that injunctions should not automatically issue upon proof of likelihood of success in patent cases. Thus, Justice Thomas stated: "As in our decision today, this Court has consistently rejected invitations to replace traditional equitable considerations with a rule that an injunction automatically follows a determination that a copyright has been infringed." Accordingly, Second Circuit in *Salinger* observed that "the Supreme Court [clearly] did not view patent and copyright injunctions as different in kind, or as requiring different standards." Under *eBay* analysis, plaintiff must make independent showing on each of four traditional equitable factors: (1) that it has suffered irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering balance of hardships between plaintiff and defendant, remedy in equity is warranted; and (4) that public interest would not be disserved by injunction. Second Circuit also cited post-*eBay* Supreme Court opinion in *Winter v. Natural Resources Defense Counsel*, 129 S. Ct. 365 (2008), for proposition that district court in exercise of its discretion must conduct inquiry into, and make specific findings with respect to, each of four *eBay* factors, regardless of nature of underlying cause of action. Thus Second Circuit reversed and remanded grant of injunction by district court, which had presumed irreparable harm without making any actual findings on that issue.

*SimplexGrinnell, LP v. Integrated Sys. & Power, Inc.*, 642 F. Supp. 2d 206 (S.D.N.Y. 2009)

On motion for reconsideration, district court refused to modify injunction granted to plaintiff enjoining defendant's use of four registered fire alarm system panel software programs, but not enjoining use of unregistered revisions and version updates of programs. Plaintiff argued that revisions and version updates were derivative works of registered programs, and thus contained protectable elements of registered works upon which injunction could be granted. Court found, however, that "[w]hile the fact of registration of the four versions is *prima facie* evidence that there is something new, original, and protectable within each of those versions, without any indication of the extent to which those programs are protected, the mere fact that substantial portions of those programs may be incorporated into unregistered versions provides no evidence that the overlap encompasses protected characteristics. Nor can it be

ascertained on the existing record whether, to the extent there is any overlap in protected components, it would be more than *de minimis*, as would be required for the copying of an unregistered version to infringe upon the registered version.”

*Momento, Inc. v. Seccion Amarilla USA*, No. 09-1223, 2009 U.S. Dist. LEXIS 62664 (N.D. Cal. July 6, 2009)

Plaintiff sought to enjoin defendant from copying plaintiff’s Spanish Yellow Pages advertisements for use in its own Spanish-language directories. Court found that plaintiff demonstrated ownership of valid copyright by way of its registrations for directories. Further, because many ads were substantially similar or identical to plaintiffs’ ads, copying was evident, and plaintiff therefore established likelihood of success on merits. Court agreed with defendant that in view of Supreme Court’s decision in *eBay, Inc. v. MercExchange LLC*, 547 U.S. 388 (2006), irreparable harm should not be presumed. However, court, applying traditional four-factor test, found that plaintiff established possibility of irreparable harm in absence of injunction. Court stated that it was reasonable for court to consider protecting competitive position of plaintiff, family-owned publisher of Spanish Yellow Pages in Northern California, where plaintiff demonstrated that defendant, largest publisher of Spanish Yellow Pages in world, had built its business around plaintiff’s work. Accordingly, court granted plaintiff relief, ordering defendant to retrieve directories stored in distribution points, but not directories already picked up by consumers, and enjoined distribution of directories in neighboring area. Court so ordered notwithstanding recognition that injunction created hardship on defendant, since defendant proceeded with production of infringing materials despite plaintiff’s cease-and-desist letter. Court enjoined defendant from copying any of plaintiff’s copyrighted works, including derivative works. It also ordered that defendant not destroy or conceal any copy, scanned version or reproduction, or any derivative, of plaintiff’s copyrighted works, including digital files. Finally, court ordered plaintiff to post \$355,500 bond to provide remedy for improper issue of preliminary injunction, such amount reflecting defendant’s potential lost deposits and fees as shown by specific evidence.

*Nintendo of Am. Inc. v. Chan*, No. 09-4203, 2009 U.S. Dist. LEXIS 66624 (C.D. Cal. July 21, 2009)

Plaintiff moved for preliminary injunction enjoining defendants from importing, marketing, or trafficking in “Game Copiers” that enabled users to download games to portable memory storage devices, and to circumvent technological measures employed by plaintiff to control access to its copyrighted works and to protect its rights as copyright owner. Security measures in Nintendo DS video game systems included technological measures implementing process by which commands and data were exchanged between DS and game card inserted into DS for play. Unless game card had software necessary to pass (or circumvent) DS technological security measures, game card could not be played on DS. Security system, court held, was technological measure that effectively controlled access to copyrighted work under Sections 1201(a) and 1201(b) of DMCA; Game Copiers defeated control exercised by technological measure over access to plaintiff’s copyrighted works.

Absent injunction, court found, plaintiff would suffer irreparable injury; “[j]ust one Game Copier enables the use of portable memory with storage capacities that allow the Game Copier to act as a vehicle to play hundreds of copyrighted Nintendo DS games. The sale of just a single Game Copier enables the user of that device to engage in infringement of NOA’s copyrighted software on a massive scale.” Plaintiff accordingly had shown combination of probable success on merits and possibility of irreparable injury if relief not granted; or existence of serious questions going to merits and that balance of hardships tipped sharply in its favor. Court enjoined defendants from importing, manufacturing, offering to public, providing, selling, using, or otherwise trafficking in Game Cards.

*Gowan Co., LLC v. Aceto Agric. Chems.*, No. 09-1124, 2009 U.S. Dist. LEXIS 63633 (D. Ariz. Jul. 9, 2009)

District court denied plaintiff Gowan Company’s motion for preliminary injunction. Plaintiff developed, formulated and marketed crop protection product, halosulfuron herbicide. Defendant Aceto Agricultural Chemicals provided generic pesticide products, and sold generic version of halosulfuron. Plaintiff sued defendant for infringement of plaintiff’s copyrighted pesticide label, and filed for preliminary injunction. Court denied plaintiff’s motion, finding that plaintiff’s three-month delay from when plaintiff was put on notice of alleged infringement undermined imminence of irreparable harm required for preliminary injunction. Court noted that three months in this case represented three-fifths of year’s sales season, and harm to defendant in issuing preliminary injunction outweighed plaintiff’s potential lost sales.

#### **D. Sanctions**

*Arista Records, LLC v. Usenet.com, Inc.*, 633 F. Supp. 2d 124 (S.D.N.Y. 2009)

Court imposed harsh sanctions for spoliation of computer files and other evidence in on-line music infringement case, but declined to order “ultimate sanction” of default judgment against defendant. Evidence showed that defendant “wiped” seven computer hard drives; allowed former employees to remove other computers when they left their jobs; failed to produce extensive email files; “engineered witness unavailability” for depositions by “causing them to travel to Europe on an expense-paid vacation [and] attempt[ing] to persuade the employees to remain out of the jurisdiction”; and knowingly served false responses to interrogatories. Court determined that proper sanction was not entry of default, but instead “to preclude defendants from asserting their affirmative defense of protection under the DMCA’s safe harbor provision,” which was central element of defense.

*Janky v. Batistatos*, 259 F.R.D. 373 (N.D. Ind. 2009)

Court sanctioned plaintiff’s attorneys under Rule 11 for filing spurious complaint. Plaintiff Janky wrote and registered copyright in song used without Janky’s permission by defendant Lake County Convention & Visitors Bureau (LCCVB) in promotional videos and albums sold at its Welcome Center. Janky sued for copyright infringement and prevailed at jury trial. In defense of lawsuit, defendant claimed song was work for hire because it was written

in response to announcement from Janky's bandmate, who notified band about what LCCVB was looking for in promotional song. After failing to win fees and filing numerous unsuccessful appeals, Janky filed new claim alleging various claims based on allegedly "frivolous" work for hire defense. Court noted that it was established throughout trial in various motions that LCCVB's work for hire defense was not frivolous, including in plaintiff's Rule 50 motion to dismiss work for hire defense as matter of law; in plaintiff's Rule 505 motion for fees; and in plaintiff's request for fees for having to respond to defendant's request for fees. Court therefore found that plaintiff and her attorneys should have known that defendant's work for hire defense was not frivolous, and that filing new lawsuit based on same claim was groundless. Court also noted that plaintiff's attorneys had previously been sanctioned in other matters and had record of filing groundless complaints. Thus, court imposed higher sanctions on plaintiff and her attorneys, finding that amount of prior sanctions was not high enough to deter plaintiff and her attorneys from filing frivolous lawsuit.

#### **E. Miscellaneous**

*Football Ass'n Premier League Ltd. v. YouTube, Inc.*, 633 F. Supp. 2d 159 (S.D.N.Y. 2009)

Court rejected plaintiffs' demand for punitive damages in putative class action against YouTube, dismissing it under Rule 12(c), judgment on pleadings. Judge Stanton, who had allowed claim for punitive damages to go forward in one earlier case before rejecting it in another, stated flatly that "[t]here is no circumstance in which punitive damages are available under the Copyright Act of 1976." Court rejected plaintiffs' argument that treaty obligations require such damages to be available under Copyright Act for foreign works, but also noted that "any ruling on whether plaintiffs may seek punitive damages for pre-1972 sound recordings under state law, or infringements for which foreign law determines the remedies, is deferred."

#### **IX. PREEMPTION**

*Latin Am. Music Co. v. ASCAP*, 593 F.3d 95 (1st Cir. 2010)

First Circuit affirmed jury instruction and finding on issue of law governing termination of exclusive license. Defendant's predecessor-in-interest granted plaintiffs exclusive license in popular folk song "Caballo Viejo." Contract granting exclusive license was silent on termination. At trial, defendant presented videotaped deposition evidence that its president orally terminated contract for exclusive license in conversation with plaintiffs' CEO. District court instructed jury that state law applied to termination of contract. On appeal plaintiffs urged that Copyright Act, requiring transfer of ownership in copyright to be in writing signed by transferor, preempted state law, which, plaintiffs contended, did not require written termination as default rule. Court of appeals found no support for argument that Section 204(a) writing requirement for transfer of copyright ownership should be extended to termination of exclusive license. Court reasoned that to extend law as proposed by

appellants would lead to untenable results, allowing licensees to prevent termination of license by refusing to sign. Accordingly, court affirmed jury instruction and finding that Copyright Act does not preempt state law regarding termination of contract for exclusive license of copyrighted work.

*Cassetica Software, Inc. v. Computer Sciences Corp.*, No. 09-0003, 2009 U.S. Dist. LEXIS 51589 (N.D. Ill. June 18, 2009)

Court dismissed plaintiff's state law claims for conversion, trespass to chattels and unjust enrichment, based upon defendant's allegedly unauthorized downloads of plaintiff's computer program, as preempted by Copyright Act. Plaintiff computer software developer had granted defendant nonexclusive, nontransferable license to download its program called NotesMedic, which addressed problems experienced when application LotusNotes crashed. License expired in 2003, but defendant allegedly continued to download plaintiff's program through at least February 2009. Federal copyright law provides copyright holders with exclusive rights to reproduction, adaptation, publication, performance and display. To avoid preemption, state law must regulate conduct other than that associated with these rights. Here, court held that copyright law protects computer programs by giving copyright owners exclusive right to reproduce source and object code of program. Because plaintiff based its state law claims entirely on defendant's unauthorized download of plaintiff's software, and that conduct is governed by copyright law, court dismissed state law claims as preempted.

*Giordano v. Claudio*, No. 09-1456, 2010 U.S. Dist. LEXIS 48148 (E.D. Pa. May 14, 2010)

From 2004 through October 2006, Claudio served as co-principal investigator with Giordano for National Institute of Health ("NIH") research project at Temple University. In May 2006, Giordano asked Claudio to prepare summary manuscript suitable for publication, to be sent to NIH. Claudio prepared report and sent report to Giordano in late 2006. In March 2007, Giordano and others published article in Temple's Journal of Cellular Physiology that was substantially similar in text and substance to reports prepared by Claudio. Claudio was not named as author of Article, and sent letter to Temple asking university to conduct inquiry into why he did not receive authorship credit. Temple found that Claudio deserved authorship credit, but Giordano refused to correct credit, and filed action alleging defamation. Defendants filed counterclaims for, *inter alia*, unjust enrichment, specific performance and restitution. Giordano argued that counterclaims were preempted. Court applied two-part test to determine whether state-law claim was preempted: (1) whether work is within subject matter of copyright, and (2) whether state law creates rights equivalent to exclusive rights protected by Copyright Act. "If a state law cause of action 'requires an extra element,' in addition to or instead of an act of reproduction, performance, distribution or display that would be prohibited under Copyright Act, there is no preemption of the state cause of action, provided that 'extra element' changes the nature of the action so that it is qualitatively different from a copyright infringement claim." Article fell within subject matter of Copyright Act, court held, but right of attribution with respect to published article was not right protected by Copyright Act. However, Claudio's unjust enrichment claim was

based on “reverse passing off” theory of liability; i.e., he claimed that Giordano represented Claudio’s work as his own by failing to properly acknowledge Claudio’s contribution. Courts in Third Circuit have held that claims premised on reverse passing off fail extra element test, and are thus preempted by Copyright Act. As Claudio did not allege extra element that would render unjust enrichment claim qualitatively different from copyright infringement claim, claim was “functionally equivalent to a copyright claim,” and preempted. Claudio argued claim was not preempted because he had not asserted, nor could he assert, copyright claim. However, while Third Circuit had not addressed issue, majority of Circuits that had addressed it held that “the scope of the Copyright Act’s subject matter is broader than the scope of the Act’s protections.”

*Scranton Times, L.P. v. Wilkes-Barre Publ. Co.*, 92 U.S.P.Q.2d 1269 (M.D. Pa. 2009)

Plaintiffs Scranton Times and Times Partner sued defendant Wilkes-Barre Publishing Company for publishing obituaries that plaintiffs alleged were copied from their newspapers or websites. Defendant denied copying obituaries, claiming that obituaries were obtained from Legacy.com, which had separate agreements with plaintiffs and defendant pursuant to which defendant had right to publish any material provided to Legacy.com. Defendant also asserted affirmative defenses that (1) plaintiffs’ claims all fell within subject matter of Copyright Act; (2) plaintiffs’ claims were all preempted by Copyright Act; (3) plaintiffs assigned all right, title and interest in obituaries to Legacy.com; (4) plaintiffs lacked standing to bring suit because their rights were conveyed to Legacy.com; (5) both plaintiffs and defendants were affiliate newspapers of Legacy.com, and therefore defendant had right to publish materials from Legacy.com; and (6) plaintiffs failed to assert any claim on which relief could be granted. Court held that plaintiffs had standing even if Legacy.com was sole owner of all rights to obituaries, because plaintiffs expended time, money and resources to compile obituaries that were copied by defendant. Court found plaintiffs’ misappropriation, unfair competition, tortious interference with existing business relations, and unjust enrichment claims preempted; claims contained no additional element to render them qualitatively different from copyright infringement claim. However, plaintiffs’ conversion and breach of contract claims were not preempted.

*Armstrong v. Eagle Rock Entm’t, Inc.*, 655 F. Supp. 2d 779 ( E.D. Mich. 2009)

Court granted defendant’s motion for judgment on pleadings and/or summary judgment. Defendant released DVD of 1974 Mahavishnu Orchestra concert performance containing still photos and video of plaintiff, bassist. Plaintiff claimed that he did not consent to recording of 1974 performance or to release of DVD containing his likeness. Plaintiff sued for appropriation of likeness under common law. Court applied two-part preemption analysis. Court found that work fit into general subject matter of copyright. Plaintiff did not assert claim based on “inchoate idea” not amenable to copyright protection; instead, plaintiff asserted claim based on sale of copyrighted recording that included him. Under equivalency test, state law claim is preempted unless it contains extra element that renders state law claim qualitatively different from infringement claim. Here, state law claim contained extra elements, namely, significant commercial value in one’s identity and exploitation; court

found, however, that such elements did not render plaintiff's appropriation claim qualitatively different from infringement claim. Plaintiff objected to defendant's reproduction of copyrighted work without plaintiff's permission, so state law claim was preempted by Copyright Act. In *dicta*, court stated that just because underlying work is copyrighted, copyright holder cannot reproduce it in whatever form it wants without being subject to state-law appropriation claim. If defendant had licensed work to third party for use in commercial, for example, state law claim likely would not have been preempted.

*MetroPCS Wireless, Inc. v. Virgin Mobile USA, L.P.*, No. 08-1658, 2009 U.S. Dist. LEXIS 88527 (N.D. Tex. Sept. 25, 2009)

Defendant, wireless telecommunications provider, sent cease-and-desist letters to plaintiff, its competitor, arguing that plaintiff's MetroFLASH service (which enabled owners of certain non-MetroPCS-compatible handsets to arrange for their phones to be "unlocked"/"reflashed" so that they received service only from MetroPCS) infringed Virgin Mobile's trademarks. In response, plaintiff filed instant lawsuit seeking declaratory judgment that, among other claims, defendant's customer agreements were preempted by Digital Millennium Copyright Act. Defendant moved for summary judgment on preemption claim. Court granted defendant's motion for summary judgment, dismissing MetroPCS' claim for declaratory judgment regarding preemption. Court noted that Virgin Mobile's alleged contractual rights are qualitatively different from those granted by copyright. Exclusive rights of federal copyright owner include right to do or authorize (1) reproduction of copyrighted work in copies or phonorecords, (2) preparation of derivative works based upon copyrighted work, and (3) distribution of copies or phonorecords of copyrighted work to public by sale or other transfer of ownership. "Virgin Mobile's tortious interference counterclaim, on the other hand, seeks to enforce its alleged contractual rights to prevent its handset providers from altering the hardware and software contained in the Virgin Mobile handsets and from using the Virgin Mobile handsets on another company's wireless service. These rights, established by contract, are qualitatively different from those granted by copyright."

*Cast Group of Cos. v. Elec. Theatre Controls, Inc.*, No. 08-753, 2009 U.S. Dist. LEXIS 76959 (W.D. Wis. Aug. 27, 2009)

District court denied defendant's motion for partial summary judgment in part, finding that federal copyright law did not preempt plaintiff's conversion claim to extent that claim focused on unlawful use of "dongle" software device rather than information contained in device. Pursuant to agreement, defendant distributed dongle software for plaintiff, which allowed users to register, upgrade or renew subscriptions to plaintiff's software. Defendant also tracked user dongle activity for plaintiff, but plaintiff found instances of use with no record. Plaintiff alleged that defendant distributed dongles and information contained in them without authorization from plaintiff, and asserted claims for copyright infringement, breach of contract, conversion and negligent and intentional misrepresentation. Court granted defendant's motion for summary judgment with respect to plaintiff's intentional misrepresentation claim. However, court concluded that whether only value of dongle is to

allow distribution and access to software, rather than any information contained in dongle, was question of fact rather than legal contention, and plaintiff adduced sufficient evidence to allow reasonable jury to find defendant responsible for unauthorized use of dongles. Court therefore denied defendant's motion for partial summary judgment with respect to use of dongles after 2005 contract and with respect to "unknown" dongles not recorded in defendant's database.

*Trevino v. MacSports, Inc.*, No. 09-3146, 2009 U.S. Dist. LEXIS 68444 (E.D. La. Aug. 5, 2009)

District court granted motion to dismiss plaintiff's state law unjust enrichment and misappropriation claims as preempted by Copyright Act. To determine preemption: "First, the Court considers whether the cause of action falls within the subject matter of copyright .... Second, the Court decides whether the cause of action protects rights that are 'equivalent' to any of the exclusive rights of a federal copyright." Thus, state law cause of action is not preempted if extra element exists that makes cause of action qualitatively different from copyright infringement claim. Plaintiff's state law claims that defendants misappropriated his "Art," by "falsely marketing portions of the 'Art' as their own," and that "the false representation of ownership by the defendants ... has resulted in substantial loss of income to [plaintiff] and unjust enrichment of defendants," were not "qualitatively different" than his copyright infringement claim" and thus were preempted. Plaintiff was, however, granted leave to plead, if he could assert claims that were qualitatively different.

## **X. DIGITAL MILLENNIUM COPYRIGHT ACT**

*Arista Records, LLC v. Launch Media, Inc.*, 578 F.3d 148 (2d Cir. 2009)

Second Circuit affirmed jury finding that webcasting service was not interactive service as matter of law. Plaintiffs sued alleging that defendant willfully infringing plaintiffs' sound recording copyrights, and violated Section 114 of DMCA. Defendant's LAUNCHcast webcasting service enabled user to create "stations" that played songs within particular genre or similar to particular artist or songs user selected. Interactive service is service "that enables a member of the public to receive a transmission of a program specially created for the recipient, or on request, a transmission of a particular sound recording ..., which is selected by or on behalf of the recipient." If interactive, webcasting service would be required to pay individual licensing fees to copyright holders of sound recordings played for users. If service is not interactive service, webcaster need only pay compulsory or statutory licensing fee set by Copyright Royalty Board. Court of appeals stated that interactivity presented issue of law. Court rejected plaintiff's contention that any service that reflects user input is specially created for and by user and therefore qualifies as interactive service. Noting that federal judges' "familiarity with the ever-changing terms and technology of the digital age is, to say the least, varied," court "attempted to portray the processes and procedures of LAUNCHcast in lay terms, understandable to ourselves and the public." As to LAUNCHcast, court found, "the only thing the user can control ... is that by rating a song at zero the user will not hear that song on that station again." LAUNCHcast listeners, court

noted, do not even enjoy “limited predictability that once graced the AM airwaves on weekends in America when ‘special requests’ represented love-struck adolescents’ attempts to communicate their feelings to ‘that special friend.’ Therefore, we cannot say LAUNCHcast falls within the scope of the DMCA’s definition of an interactive service created for individual users.”

*Nintendo of Am. Inc. v. Chan*, No. 09-4203, 2009 U.S. Dist. LEXIS 66624 (C.D. Cal. July 21, 2009)

Plaintiff moved for preliminary injunction enjoining defendants from importing, marketing, or trafficking in “Game Copiers” that enabled users to download games to portable memory storage devices, and to circumvent technological measures employed by plaintiff to control access to its copyrighted works and to protect its rights as copyright owner. Security measures in Nintendo DS video game systems included technological measures implementing process by which commands and data were exchanged between DS and game card inserted into DS for play. Unless game card had software necessary to pass (or circumvent) DS technological security measures, game card could not be played on DS. Security system, court held, was technological measure that effectively controlled access to copyrighted work under Sections 1201(a) and 1201(b) of DMCA; Game Copiers defeated control exercised by technological measure over access to plaintiff’s copyrighted works. Absent injunction, court found, plaintiff would suffer irreparable injury; “[j]ust one Game Copier enables the use of portable memory with storage capacities that allow the Game Copier to act as a vehicle to play hundreds of copyrighted Nintendo DS games. The sale of just a single Game Copier enables the user of that device to engage in infringement of NOA’s copyrighted software on a massive scale.” Plaintiff accordingly had shown combination of probable success on merits and possibility of irreparable injury if relief not granted; or existence of serious questions going to merits and that balance of hardships tipped sharply in its favor. Court enjoined defendants from importing, manufacturing, offering to public, providing, selling, using, or otherwise trafficking in Game Cards.

*Fox v. Hildebrand*, No. 09-2085, 2009 U.S. Dist. LEXIS 60886 (C.D. Cal. July 1, 2009)

Court denied 12(b)(6) motion in case involving unauthorized use of architectural plans. Defendants posted copies of plaintiff’s plans on website, “erroneously designating defendant Hildebrand as the owner of the copyrighted work.” After rejecting defendant’s claim of implied license, court turned to text of Section 1202 to rebut defendant’s argument that “this DMCA provision applies only to copyright notices that are digitally placed on a copyrighted work.” Under Section 1202(c) definition of “copyright management information,” such information is said to “include” notice in digital form, but this language “in no way limits the definition to notice made in digital form,” despite two contrary decisions cited by defendant (including one in same jurisdiction). Although statutory language was clear, court also noted that its reading was supported by legislative history of Section 1202, *i.e.*, “CMI need not be in digital form, but CMI in digital form is expressly included.”

## **XI. MISCELLANEOUS**

### **A. Visual Artists Rights Act**

*Massachusetts Museum of Contemporary Art Found., Inc. v. Büchel*, 593 F.3d 38 (1st Cir. 2010)

First Circuit reversed grant of summary judgment to Museum, holding that Visual Artists Rights Act applies to unfinished works. Defendant, “installation artist,” arranged with Museum to create installation to be called “Training Ground for Democracy,” mock-up village where visitors could play roles. After Museum had made significant investment, dispute arose between parties over further expenses, and in December 2006 defendant left work site, stating that he would not return pending resolution of dispute. In March 2007, museum sent letter requesting defendant to either complete work or arrange for removal of work materials, and that he reimburse \$300,000 spent to date. Defendant responded with letter claiming that allowing unfinished work to be exhibited would violate his rights under VARA. Museum sued seeking declaration that exhibition would not violate federal law. Defendant counterclaimed, alleging VARA violation and infringement of public display rights and derivative work rights under Copyright Act. District court found that neither Copyright Act nor VARA provided basis to prevent Museum from exhibiting installation, and granted partial summary judgment in Museum’s favor. Court of appeals reversed, holding that unfinished works were not exempt from protection under VARA, based on plain language of statute supported by legislative history. List of exclusions set forth in Section 106A(c)(3) does not exclude unfinished works from definition of “work of visual art,” court noted; VARA protects moral rights of artists who have “created” works of art within meaning of Copyright Act even if those works are not yet complete. Having held that VARA applies to unfinished works, court found artist’s pleadings created genuine issue of material fact that could withstand summary judgment motion. Because unfinished work had already been dismantled, defendant no longer had viable claim for violation of attribution right under Sections 106A(a)(1) and (2), which provide only for injunctive relief. Defendant could, however, still seek damages for violation of right of integrity under Section 106A(a)(3)(A). To recover for violation of right of integrity, artist must show that distortion, mutilation, or modification of work in question is “prejudicial to [his or her] reputation or honor.” Defendant alleged that museum modified his work in manner not consistent with his artistic vision. First Circuit found that evidence in record permitted inference that “even during his time as artist-in-residence ... staff members were disregarding his instructions and intentionally modifying ‘Training Ground’ in a manner that he did not approve.” Court found, viewing record in light most favorable to defendant, that evidence would permit jury to find that Museum proceeded with installation after artist left work site knowing that continuing construction in artist’s absence effected intentional distortion or other modification of work that subjected Museum to liability under VARA. Jury could also conclude from evidence that Museum’s alterations had detrimental impact on defendant’s honor or reputation. However, First Circuit agreed with district court that period during which installation had been covered with tarps did not give rise to viable claim; mere covering of artwork by Museum, its host, could not reasonably be deemed intentional act of

distortion or modification. “To conclude otherwise would be to say that, even if all had gone well, the Museum would have been subject to a right-of-integrity claim if it had partially covered the work before its formal opening to prevent visitors from seeing it prematurely.” Court rejected defendant’s argument that mere act of allowing anyone to see unfinished work in and of itself constituted distortion of work. Court “decline[d] to interpret VARA to include such a claim where a separate moral right of disclosure is widely recognized in other jurisdictions and Congress explicitly limited the statute's coverage to the rights of attribution and integrity.”

*Kleinman v. City of San Marcos*, 597 F.3d 323 (5th Cir. 2010)

Fifth Circuit affirmed dismissal for failure to state claim for relief under VARA on grounds that plaintiff’s artwork was “promotional.” Plaintiff operated Planet K stores, “funky establishments that sell novelty items and gifts.” Plaintiff celebrated new store openings with “car bash,” charity event at which public paid to sledgehammer car into “smashed wreck.” Wreck was filled with dirt, planted with vegetation, painted and placed outside store. Oldsmobile 88 car-planter was created on opening of new store in San Marcos, Texas. Smashed car was planted with native cacti and painted with scenes of “life in San Marcos” and positioned in front of store. Two local artists were commissioned to paint wreck. City ticketed Planet K under ordinance that prohibited placing or keeping “junked vehicle” on property. Plaintiff contested tickets and requested hearing to determine whether car-planter fell within definition of junked vehicle under ordinance. Municipal court found that it did, and ordered car-planter removed or concealed behind fence or in enclosure. Plaintiff sued for injunctive relief in state court, and City removed case to federal district court. Artists joined suit to assert claims under VARA. District court denied relief under VARA, finding that junked-vehicle ordinance did not require destruction of junked vehicle, merely screening it from general public view. Court of appeals, however, found that car-planter did not qualify as “work of visual art” under VARA, which excludes “any merchandising item or advertising, promotional, descriptive, covering, packaging material or container” from protection. District court had found that car-planters were closely associated with Planet K, were part of store’s “corporate image and culture,” and were “distinctive symbol of the Planet K business.” Findings indicated that car-planters were “promotional” material and thus excluded from VARA protection. Court affirmed that artists failed to state claim for relief under VARA.

## **B. Insurance**

*Toffler Assocs. v. Hartford Fire Ins. Co.*, 651 F. Supp. 2d 332 (E.D. Pa. 2009)

District court granted in part and denied in part defendant’s motion for summary judgment, and granted in part and denied in part plaintiff’s cross-motion for summary judgment, regarding insurer’s duty to defendant under advertising injury provision. Plaintiff was sued for copyright infringement by another party, Inside Washington Publishers (IWP), for

reproducing and distributing IWP's articles in plaintiff's *Morning Brew* publication, which plaintiff emailed to employees and about 300 people in defense industry, intelligence community and corporate America. Defendant denied plaintiff's claim for defense and indemnification coverage in its suit against IWP; defendant contended that plaintiff's publication and distribution did not constitute "widespread public distribution" or advertisement within meaning of insurance policy. Court found that defendant had duty to defend plaintiff under advertising injury provision of policy, noting that reasonable person would understand provision to include "information or images that has the purpose of inducing the sale of goods, products or services," which was purpose of plaintiff's publication. However, court found that plaintiff's email distribution of publication was not widespread and public as required by policy and therefore, defendant had duty to defend but no duty to indemnify plaintiff in lawsuit against IWP.