Copyright Law

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Topics:

- Using the Copyright Owner's Exclusive Rights
- Deals (Transactions, or Copyright Business)
- Follow the Money

Deals: How most © lawyers make a living

Every lawsuit alleging infringement of one or more © rights is:

- Looking forward: a potential business deal (the parties solve their dispute by cooperating; settlements often involve the copyright owner's granting permission to use the copyrighted work, in exchange for compensation and (possibly) conditions).
- Looking backward: a failed business deal (the parties were in a business relationship, via one or more contracts, which broke down).
- Looking outside: a method of dividing up (or sharing) a "cut" (percentage, share) of a market for $$$ related to the copyrighted work and things related to it.
- Looking inside: A business deal turned inside out, doctrinally speaking. Rights under Section 106 are the "things" that are exchanged in business deals, in whole or in part, as well as the "things" that are the subjects of lawsuits.

The business of © law practice:

- Litigation rides highs and lows: lawsuits are expensive to prosecute and defend. Clients have to make strategic decisions as to when to fight and when to settle.
- Transactional work – prosecution, licensing – is the steady stream of lawyer revenue. Clients can be strategic but also work the (legal) cost of transactional work into "ordinary" budgets.

Deals: What lawyers need to know about interactions between © & other law

1/ **Contract / commercial law**:
- Formation issues: Is there a binding contract?
- Interpretation issues: What is the scope of the deal? What uses of the work are included or prohibited?
- Remedies issues: Are © or K remedies appropriate?
- Bankruptcy / secured transactions: What law determines creditor priority, STor ©?

2/ **Antitrust / unfair competition**:
- Deals valid under IP law may be illegal under AT law.
- License/deal design concerns: Is the © being used in a monopolistic way? (Nb. © "monopolies" are not necessarily AT "monopolies," but the first can produce the second, especially in software cases)
- © defendants sometimes bring antitrust lawsuits as counterclaims; © defendants sometimes argue "© misuse," which is a species of AT law

3/ **Employment law**:
- Authorship: Who owns the © and has the power to negotiate?
- WMFH law: Are authors employees or independent contractors?

4/ **Data and data privacy**:
- European Union (GDPR) and California (CCPA)
- Datasets are not (usually) copyrightable works of authorship
- Copyright owners (and platform owners) often use business strategies around copyrighted works to collect personal data (esp A/V works, streaming)

(d) **Transfer of Ownership.—**

(1) The ownership of a copyright may be transferred in whole or in part by any means of conveyance or by operation of law, and may be bequeathed by will or pass as personal property by the applicable laws of intestate succession.

(2) Any of the exclusive rights comprised in a copyright, including any subdivision of any of the rights specified by section 106, may be transferred as provided by clause (1) and owned separately. The owner of any particular exclusive right is entitled, to the extent of that right, to all of the protection and remedies accorded to the copyright owner by this title.

17 U.S.C. § 201(d) (2022)

Deals: Statutory foundations

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17 U.S.C. § 201(d) (2022)

A **"transfer of copyright ownership"** is an assignment, mortgage, exclusive license, or any other conveyance, alienation, or hypothecation of a copyright or of any of the exclusive rights comprised in a copyright, whether or not it is limited in time or place of effect, but not including a nonexclusive license.
17 U.S.C. § 101 (2022)

A transfer of copyright ownership, other than by operation of law, is not valid unless **an instrument of conveyance, or a note or memorandum of the transfer, is in writing** and signed by the owner of the rights conveyed or such owner's duly authorized agent.
17 U.S.C. § 204(a) (2022)

Key types of transfers:

1/ **Assignment** / sale / gift of **ownership** of all or part of ©: writing signed by assignor required for valid transfer (17 U.S.C § 204) (a one signature statute; compare the two-signature WMFH statute)

2/ **License (permission to use)** [nb. language varies by sector; "clearance" "permissions" "rights" and "licensing" all refer to this cluster of legal analyses]:

- Exclusive → signed writing required per § 204
- Nonexclusive → no writing required. May be written, oral, or implied by conduct.

3/ Grant an interest in a copyright as **security (collateral)** for a loan or debt.

Nb. other types of collaborations (joint ventures, partnerships, development agreements) may concern use of IP rights (works) (inventions) (trademarks) but do not necessarily involve assignments, licenses, or other transfers

1/ **Burdens of negotiating**:

Once you understand the basic legal standard (Who owns the ©? What use(s) are covered by the relevant exclusive rights? Does fair use apply?) (via statute or judicial interpretation), then you know which party has the burden of negotiating for a different outcome than the one given by law.

2/ **Division of markets / "asset specificity"**:

Copyright licenses and other transfers are basic tools for copyright owners to structure (control) markets to make money from works of authorship and/or to control the production/distribution of additional works.

3/ **Breadth**:

Is a license (permission) (deal) needed here? Appropriate here? Permission may be sought (demanded) when it isn't needed (e.g., § 102(b) contexts, fair use, § 110) or may try to capture non-© value (copyright works and other things (e.g., services) may be bundled together, leading to antitrust concerns).

4/ **Litigating broken or failed deals**:

What's the outcome if there is no deal? How does each party stand to benefit/suffer from their preferred interpretation of what happened (deal or no deal)?

1/ **Existence of a license**:

Does the user have permission to (reproduce) (distribute) (adapt) (perform) (etc.) in the setting(s) and in the way(s) the user wants to?

- Permission may be *implied* (by conduct) *(Asset Marketing v. Gagnon, Solid Oak Sketches v. 2K Games)*
- Permission may be *express* (written or oral) *(F.B.T. v. Aftermath)*
- Permission may be unnecessary (§ 102(b), § 107)

2/ **License scope: new uses and technologies**

- Interpret deals per contract law informed by © law policy (protect authors? protect incentive/access balancing? "Progress"?) *(Boosey & Hawks v. Disney)*
- *Or* Interpret deals per ordinary contract law principles *(Rosetta Books)*

3/ **Special problems**:

- Licensing digital things – beyond computer software: Is it possible? Permitted by law? *(Vernor v. Autodesk)*
- Deals enforceable under state law may be preempted by federal law
- Open source and Creative Commons: Are permissive licenses enforceable against remote users, and if so, how? *(Jacobsen v. Katzer)*

An “ordinary” illustration of © contracting problems: existence of a license

Licensing: Did the copyright owner grant permission to use the work?

Cohen commissioned special effects footage from the plaintiff, received the material and used it in “The Stuff” anyway, but refused to pay the agreed price.

Did Cohen infringe plaintiff’s copyright in the footage when Cohen used it without plaintiff’s express, written permission?

Answer: No. (i) Delivery of the footage (ii) at the deft’s request, with (iii) circumstantial evidence that the author (plaintiff) intended that it be used, supports the conclusion that the author (defendant) granted a nonexclusive implied license.

Effects Associates, Inc. v. Cohen (9th Cir. 1990)

Note: Even though Cohen did not infringe the copyright, Cohen may have breached a contract. Check the terms of the deal.

An “ordinary” illustration of © contracting problems: existence of a license

Asset Marketing Systems®

Licensing: Did the copyright owner grant permission to use the work?

Asset Marketing contracted with Gagnon d/b/a Mr. Computer to produce computer code. AM paid Gagnon $2mm and accounted for 98% of his business. Their written contract did not address © ownership or license issues. Gagnon delivered his work in source code form, installed it on AM servers, and provided tech support.

The relationship fell apart.

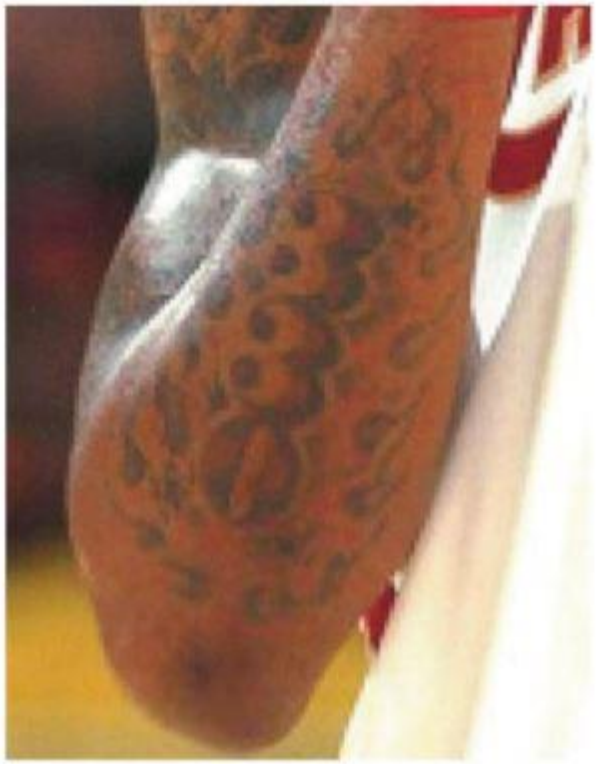
AM terminated Gagnon’s services and hired former Gagnon employees for itself. Gagnon sued AM for copyright infringement for using his code without his permission.

Did AM have an implied license to [use] the code?

Asset Marketing v. Gagnon (9th Cir. 2008)

An “ordinary” illustration of © contracting problems: existence of a license

Figure 1 – 330 and Flames[6]



LeBron James

Kenyon Martin

Figure 5 – Wizard[14]

Licensing: Did the copyright owner (rights in the tattoo design) grant permission to use the work? Here, did 2K Games have an implied license (from the copyright owners) to display the tattoos?

Solid Oak Sketches v. 2K Games (S.D.N.Y. 2020)

Licenses: Preemption

Contract rights are rarely preempted.

So: plaintiffs have access to © remedies (injunctions, tort-style $$$) AND K remedies (more $$$).

See *ProCD v. Zeidenberg* (7th Cir. 1996)

As contracts, licenses are usually interpreted as matters of state law. Per the Supremacy Clause of the Constitution, conflicting federal law – copyright law – takes precedence.

Can a copyright owner enforce a (license) (contract) regarding the licensed work that limits the exercise of statutory rights ("You agree not to make a fair use of the licensed work")?

Or is enforcement of the license preempted by federal copyright law?

17 U.S.C. § 301 (2022):

"On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State."

An “ordinary” illustration of © contracting problems: scope and interpretation

The rock group Pink Floyd released an album titled “The Wall” (the work) in 1979. Its current contract with its record label, EMI, was negotiated in 1999 and granted EMI rights (permission) to distribute records that contain the work. The contract also provided:

Contracts are often written poorly.

“There are no rights to sell any or all of the records as single records, other than with [Pink Floyd‘s] permission.”

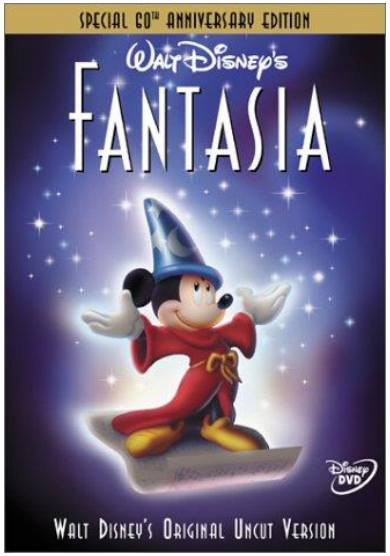
Where possible, approach licensing issues using the policies that © is meant to promote.

Without obtaining permission from Floyd, can EMI authorize the sale of

(i) singles (45s) from the album?
(ii) individual tracks from The Wall on iTunes?
(iii) ringtones that use melodies from The Wall?

Which are …

A “new use” illustration of © contracting problems: scope and interpretation



Licensing: Scope. Does the license include *this* use of the work?

A musical composition – Stravinsky, Rite of Spring – was licensed **in 1939** for performance **“in one motion picture.”**

Does the defendant’s license include permission to sell copies of the completed motion picture **on videocassettes**?

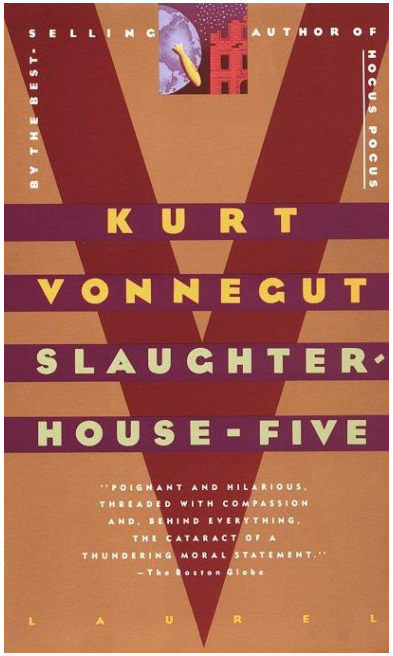
Court’s standard: Can the new use “reasonably be said to fall within the medium as described in the license”? Answer: Yes. (Why?)

Compare contract law approaches, which might be different:

- Intent. Does the parties’ intent matter?
- Who likely drafted the license?
- Nb. license lackeda “future technologies” or “any medium” clause, and included an express reservation of rights.

Boosey & Hawkes Music Publishers, Ltd. v. The Walt Disney Co. (2d Cir. 1998)

A “new use” illustration of © contracting problems: scope and interpretation



Licensing: Scope. Does the license include *this* use of the work?

Random House, publisher of the author’s “book,” sued a firm that distributed the same work in “e-book” form.

The publishing contract was signed before “e-books” were developed.

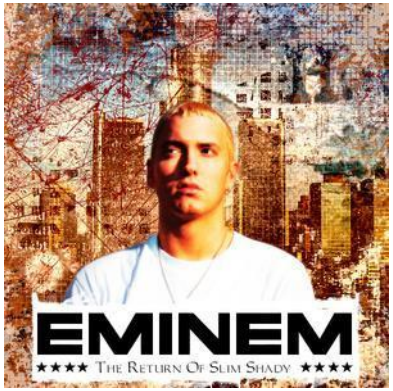
Does a license authorizing a publisher to **“print, publish and sell the work in book form”** include permission to distribute the work in electronic (“e-book”) form?

Court’s answer: No.

Why? This court said: Focus on the parties’ intent – a contractual standard, based on contractual language, extrinsic evidence, evidence from custom.

Random House v. Rosetta Books (S.D.N.Y. 2001)

A “new use” illustration of © contracting problems: scope and interpretation



Eminem’s original label, F.B.T., signed an industry-standard deal with Aftermath (Dr. Dre’s label) **in 1998** that provided different royalty rates for “Records Sold” and “Masters Licensed” when Aftermath makes money based on F.B.T.’s works. For “**Records Sold**,” F.B.T. gets 12% to 20% on retail results. For “**Masters Licensed**,” F.B.T. gets 50% of the net.

AFTERMATH
ENTERTAINMENT

Aftermath licensed F.B.T. recordings to Apple, which never got title to the recordings, in order to produce “records.”

The “changed circumstances” problem: Is the Apple deal covered by “Records Sold” provision or the “Masters Licensed” provision?

Is an iTunes download a “Record” (F.B.T. gets low $$$) or a copy of the “Master” (F.B.T. gets high $$$)?

Is either party getting a windfall here? (Compare “mistake” cases in contract law.)

Could this conflict have been prevented? If so, how?

F.B.T. Productions v. Aftermath Records (9th Cir. 2010)

Is digital different? Using "licenses" to control digital copies and first sale

Is digital different?

Why?

Compare the *ReDigi* case.

Can a copyright owner license (grant permission to use) individual copies of a copyrighted work, as a way of controlling/limiting re-sale, rental, and other re-use (including aftermarket service/support)?

Can a copyright owner license a work (license a copyright)? Of course.

Can books be "licensed"? Probably not.

What about copies of computer software? Probably yes: software can be licensed.

Digital is different.

Vernor v. Autodesk (9th Cir. 2010): A standard software license is effective to permit copyright owner to control secondhand software market; note the 3 key factors the court examines: here, copies were "licensed," not "sold," and (therefore) could not be re-sold.

[Compare: **Capitol Records, LLC v. Redigi Inc.**, regarding first sale]

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Please keep in a safe place

Permission may be statutory, rather than contractual, meaning the user has the right to use the work and the © owner must negotiate to obtain the relevant rights.


The New York Times

U.S. Bishop Cites a Split How to Handle Past Abuse

Industrial Blast Shatters Manhattan Block

Vote in House Change in Rules Barred Many

Permission to use the work may be specified by statute (by law) rather than by a private agreement.

A freelance journalist whose work was published in The New York Times sued the Times for making that work available via an electronic database.

Does making the contents of the NYTimes available via LEXIS/NEXIS constitute making a "**revision**" of each edition, under **Section 201(c),** which grants the owner of the © in a collective work **permission** to make a "revision" of that work?

Answer: No. The NYTimes is an infringer. (Why?)

Implication – burden of negotiating: NYTimes has to negotiate new permissions with all freelance contributors w/r/t older work – and modify its contracts w/all new contributors.

New York Times Co. v. Tasini (U.S. 2001)

See also Section 110, regarding specific uses of specific works in specific favored circumstances.

Copyright licenses may be used to **encourage** use of the work rather than to limit its use or to require that money be paid.

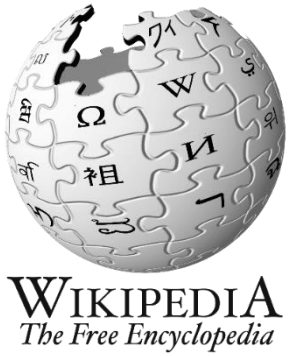
Are “permissive” licenses enforceable against downstream users of the copyrighted work?

If so, how?

Jacobsen v. Katzer (Fed. Cir. 2008):

An open source software (OSS) license is enforceable via injunction to prevent non-compliant “forking” of the source code – as a property-based entitlement, not as a contract.

(A rare case; OSS licenses are rarely litigated.)



Licenses: “Viral” open source licenses and Creative Commons licenses

What is the scope of a CC license? *Who* is covered by (protected by) the license?

Great Minds developed and published Pre-K upward curricula such as “Eureka Math” and “Wit and Wisdom English,” using Creative Commons BY-NC-SA licenses.

School districts took the materials to FedEx Office for photocopying. Great Minds sued FedEx Office for copyright infringement.

FedEx Office moved to dismiss the lawsuit, arguing that the CC license effectively protected it from the claim.

What result?

The End

Recorded by
RCA Victor "HIGH FIDELITY" Sound System