

2021 LICENSING UPDATE

**GREGORY J. BATTERSBY
CHARLES W. GRIMES**

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Published by Wolters Kluwer in New York.

Wolters Kluwer Legal & Regulatory U.S. serves customers worldwide with CCH, Aspen Publishers and Kluwer Law International products.

Printed in the United States of America

ISBN 978-1-5438-3703-2
ISSN 1538-876X

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CHAPTER 3

COPYRIGHT LICENSING

Paige Mills

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§ 3.01 COPYRIGHT PROTECTION

[A] Introduction

The basics of copyright law are well-established but bear repeating. As a quick summary, copyright is a form of protection provided by the U.S. Copyright Act (17 U.S.C. §§ 501 *et seq.*) to authors of “original works of authorship” that are fixed in a tangible form of expression. An original work of authorship is a work that is independently created by a human author and possesses at least some minimal degree of creativity, the bar for which is low. A work is “fixed” when it is captured (either by or under the authority of an author) in a sufficiently permanent medium such that the work can be perceived, reproduced, or communicated for more than a short time.

Copyrighted works may include literary, dramatic, musical, artistic, sound recordings, films, or typographical creations. Copyright protection in the United States exists automatically from the moment the original work of authorship is fixed; registration is not required. A copyright vests in its owner a “bundle” of rights, including the exclusive right to do the following:

- Reproduce the work in copies or phonorecords.
- Prepare derivative works based upon the work.
- Distribute copies or phonorecords of the work to the public by sale or other transfer of ownership or by rental, lease, or lending.
- Perform the work publicly if it is a literary, musical, dramatic, or choreographic work; a pantomime; or a motion picture or other audiovisual work.
- Display the work publicly if it is a literary, musical, dramatic, or choreographic work; a pantomime; or a pictorial, graphic, or sculptural work. This right also applies to the individual images of a motion picture or other audiovisual work.
- Perform the work publicly by means of a digital audio transmission if the work is a sound recording.

The breach of these exclusive rights by one other than the copyright owner is copyright infringement, unless a defense applies, such as fair use, license, or the material is in the public domain. As mentioned above, registration is not required to have a copyright interest. However, registration does convey certain important benefits in protecting the copyright, such as the ability to sue in federal court and, if the copyright was registered at the time of the infringement, the ability to seek statutory damages for the infringement.

Copyright does not protect:

- Ideas, procedures, methods, systems, processes, concepts, principles, or discoveries.
- Works that are not fixed in a tangible form (such as a choreographic work that has not been notated or recorded or an improvisational speech that has not been written down).
- Titles, names, short phrases, and slogans.
- Familiar symbols or designs.
- Mere variations of typographic ornamentation, lettering, or coloring.
- Mere listings of ingredients or contents.

Consequently, another important defense to a claim of copyright infringement is that the subject matter of the claimed copyright is not copyrightable.

[B] Copyright Licensing

A copyright owner can allow another to exercise one or more of the exclusive rights in its bundle of rights. Such permission is a license, and it can be exclusive or non-exclusive. If exclusive, it must be in writing.

Generally, a copyright owner who grants a nonexclusive license to use copyrighted material waives the right to sue for copyright infringement if the license is breached. The only remedy is a suit for breach of contract. If, however, a license is limited in scope and the licensee acts outside the scope of the license, the licensor can bring an action in copyright infringement. Courts generally will narrowly construe a license's scope, making the breach of a license a chancy proposition, often resulting in claims of copyright infringement in addition to breach of contract.

When a work being licensed is a joint work, any of the joint authors may license its use, so as long as the author accounts to the co-authors for any profits earned. However, where the copyrighted work is not a work of joint authorship, but rather a compendium or collection, all co-owners must join in to grant an exclusive license. Otherwise, a single co-owner can only grant a non-exclusive license.

The copyright owner can, of course, enter into voluntary licenses. The Copyright Act also provides for involuntary or compulsory licenses under certain conditions. For example, once a musical work has been recorded and distributed to the public, any content creator is allowed to record and distribute the song as long as they pay the required mechanical royalty and meet copyright law requirements. With a compulsory license, the copyright owner's permission is not required. Compulsory licenses are commonly used by satellite television providers, cable providers, webcasters, and music companies, allowing them to broadly distribute copyrighted content legally and efficiently.

[C] International Treaties and Directives

In the United States, original works of expression that are eligible for copyright protection are protected under the U.S. Copyright Act. There is no international copyright that protects the author or copyright owner. A copyright may be protected only by the copyright laws of individual nations. International copyright conventions and treaties have been developed to establish obligations for treaty member countries to adhere to, and implement in their national laws, thus providing more certainty and understanding about the levels of copyright protection in particular countries. For example, the United States is a signatory to the two leading multilateral copyright treaties: the Universal Copyright Convention and the Berne Convention. These treaties do not provide direct copyright protection, but instead provide that a qualifying foreign work will receive protection which is equal to or greater than the protection given to the signatory's own works.

The United States is a member of many treaties and conventions affecting copyright. The following are the primary treaties and conventions that govern the protection of works in other countries:

- Berne Convention for the Protection of Literary and Artistic Works (the “Berne Convention”)—the leading international agreement that sets standards for protecting literary and artistic works.
- The Buenos Aires Convention—a treaty signed by most North and South American countries which allows for protection of all creative works as long as they contain a notice informing that the creator claims a copyright in the work.
- The Brussels Convention Relating to the Distribution of Program-Carrying Signals Transmitted by Satellite (“SAT”).
- Geneva Phonograms Convention (the “Geneva Convention”) sets standards for protection of sound recordings against piracy.
- The Marrakesh Treaty to Facilitate Access to Published Works for Persons Who are blind, Visually Impaired, or Otherwise Print Disabled (“VIP”).
- Universal Copyright Convention (UCC)—an international agreement that sets standards for protecting literary and artistic works, largely superseded by Berne.
- WIPO Performances and Phonographs Treaty (WPPT)—an international agreement setting standards for protection of sound recordings; and
- World Trade Organization (WTO)—the World Trade Organization’s obligations regarding Trade-Related Aspects of Intellectual Property Rights, incorporating and expanding on Berne and adding enforcement obligations.

In seeking copyright protection for a U.S. work in another country, it is important to determine the “points of attachment” under that country’s copyright system, *i.e.*, the factors that connect an eligible work to be protected among treaty member countries. An author’s nationality or the place a work was first published are examples of points of attachment. Often protection depends on the facts existing at the time of first publication. The scope of protection available in that country will then turn on the substantive provisions available under that country’s law and practice. Despite these numerous treaties, be aware that some countries offer little or no copyright protection to foreign works.

§ 3.02 YEAR IN REVIEW

2020 was a turbulent year by anyone’s estimation—we weathered the first of two presidential impeachments, a global pandemic, one of the most contentious election cycles in modern history, and the arrival of the “murder hornets.” While the landscape of copyright law was quite calm in comparison, there are lots of important developments that the careful copyright practitioner needs to know. There was important new legislation passed as part of the COVID Relief Deal or the “Consolidated Appropriations Act, 2021,” which created a small claims court for copyright disputes and criminal penalties for unlawful streaming. There were also significant decisions on subjects ranging from state immunity, copyright trolls, graffiti, and tattoos.

[A] New Legislation

[1] CASE Act of 2020

On December 21, 2020, Congress passed a long-anticipated second round of COVID relief legislation as part of the Bipartisan-Bicameral Omnibus COVID Relief Deal or the “Consolidated Appropriations Act, 2021.” This relief bill provided a second round of stimulus to individuals, businesses, and hospitals in response to the economic distress caused by the coronavirus (COVID-19) pandemic. Included in the \$2.3 trillion spending and coronavirus pandemic relief package was the Copyright Alternative in Small-Claims Enforcement Act (or the “CASE Act of 2020”). The CASE Act had been pending as part of H.R. 133 and contains an alternative dispute resolution program that was first approved by the House of Representatives on October 22, 2019.

The CASE Act establishes a Copyright Claims Board (the “Board”) as a small claims court staffed by three Copyright Claims Officers to handle disputes, unless the accused infringer timely opts out. The Board can decide infringement claims, declarations of non-infringement, misrepresentation, and related defenses and counterclaims. If the work was registered at the time of the infringement, the Board is also empowered to award limited injunctive relief (in the event that the

parties agreed to cease certain activities in the underlying proceeding) and money damages of up to \$15,000 per violation with a cap of \$30,000 per proceeding, excluding attorneys' fees and costs. Even if the work was not registered at the time of the infringement, the copyright owner can potentially obtain statutory damages for a violation, but in that situation the damages are limited to \$7,500 per work infringed, with a total of \$15,000 in any one proceeding. The Board does not have the authority to make a finding of willfulness when making an award of statutory damages, although it can award attorney fees and costs if it determines that a litigant has acted with "bad faith conduct."

A final determination from the Board precludes re-litigation before any other court or tribunal. Generally, the Board would be excluded from hearing claims/counterclaims decided by or pending before a court of competent jurisdiction, by or against a federal or state governmental entity, or against a person or entity residing outside the United States.

A petitioner must have filed for and obtained (or been denied) a registration before it can bring a claim before the Board. Any claim must be brought within three years of the accrual of the claim. Filing the proceeding tolls the statute of limitations for the commencement of an action on the same claim in a U.S. district court during the period in which the proceeding is pending. A respondent must be properly served with a notice and claim. Once served, the respondent will have a 60-day period to "opt out" of the Board proceeding by providing written notice to the Board. If the respondent does not opt out within 60 days, the Board will make a final determination which will generally preclude re-litigating the issue before any court or tribunal. Although the Board's determinations are not binding on Article III courts, courts cannot vacate or modify these determinations, except in rare cases of fraud, misconduct or lack of authority—much like the grounds necessary to set aside an arbitration award.

Many have raised concerns that the CASE Act will make it easier for copyright trolls to exact settlements because it reduces the obstacles to filing a copyright infringement case and that the \$30,000 damages limit is too high to truly constitute a "small claims" court. Moreover, a copyright owner appears to have the right to obtain a subpoena to identify internet subscribers, without being burdened by the requirement of stating a plausible claim under Fed. R. Civ. P. 12(b)(6), opening the door for invasive discovery for claims that might be deemed defective or frivolous by a federal judge. Further, the targets of trolls might be unsophisticated individuals or small business that fail to appreciate the significance of being sued at the Board and fail to timely address the proceedings, resulting in default judgements that will be difficult, if not impossible, to overturn.

The CASE Act is not without safeguards to prevent abusive filings, however, it provides that any party who pursues a claim or defense in bad faith more than once in a 12-month period may be barred from initiating a claim before the Board for 12 months and grants the Register of Copyrights authority to issue regulations limiting the number of proceedings a claimant may initiate in any given

year. Only time will tell if the Board will help provide fair and cost-effective redress for copyright infringement or if it will simply give another tool for trolls to extort unreasonable settlements.

[2] PLSA

In addition, the CASE Act also contains the Protecting Lawful Streaming Act (“PLSA”). This legislation increases penalties for illegal streaming of copyrighted works. Currently a misdemeanor, the PLSA makes illegally streaming of copyrighted material a felony punishable by up to 10 years of imprisonment. This law was passed without much debate or scrutiny. Although the law primarily targets those who are illegally streaming for commercial gain, there is some concern that it could be used against the Average Joe who might lend his or her Netflix login to friends or family. It will be interesting to see how these provisions are interpreted by content providers and law enforcement in efforts to combat illegal streaming.

[B] Who Can Sue?

As set forth above, there has been a great deal of concern about the rise in copyright litigation brought by the so-called “copyright troll.” As quoted in *Wisser v. Vox Media, Inc.*, No. 19 Civ. 1445, 2020 WL 1547381, at *2 (S.D.N.Y. Apr. 1, 2020) (*citations omitted*),

A copyright troll is a plaintiff who is “more focused on the business of litigation than on selling a product or service or licensing their copyrights to third parties. A copyright troll plays a numbers game in which it targets hundreds or thousands of defendants seeking quick settlements priced just low enough that it is less expensive for the defendant to pay the troll rather than defend the claim.”

And while everyone might love to hate the copyright troll, the U.S. Court of Appeals for the District of Columbia Circuit made it clear that one’s business model or the prurient nature of the copyright work is not to be considered when deciding whether a litigant has the right to early discovery or the ability to survive a motion to dismiss. *See Strike 3 Holdings, LLC v. John Doe, Subscriber Assigned IP Address 73.180.154.14*, 964 F.3d 1203 (D.C. Cir. 2020).

In *Strike 3 Holdings*, the D.C. Circuit found that the district court abused its discretion by relying heavily on the copyright owner’s litigation history and the nature of its films rather than the relevant legal standards under the Federal Rules of Civil Procedure. Strike 3¹ is a producer and online distributor of adult films, an industry that constantly battles online piracy. To protect against this

¹ Strike 3 is one of the most prolific copyright trolls around, having filed more than 2,000 copyright infringement cases in 2018 alone. *See* <https://torrentfreak.com/us-online-piracy-lawsuits-hit-a>

infringement, Strike 3 regularly files copyright infringement cases against “John Doe” defendants based on the internet protocol (IP) address and the physical address associated with an alleged infringer’s illegal file sharing and downloads.

In 2018, Strike 3 filed a copyright infringement lawsuit against the IP address 73.180.154.14, alleging that it belonging to a John Doe defendant who had used it to commit infringement 22 times in one year. To identify the defendant and serve the complaint, Strike 3 also filed a Rule 26(d)(1) motion seeking leave to take early discovery and subpoena Comcast, the subscriber’s internet service provider, in order to learn John Doe’s identity. The district court denied the motion on the basis that Strike 3’s need for the subpoenaed information was outweighed by the defendant’s right to be anonymous, which the court found to be especially important given the risk of identifying the wrong defendant and the “particularly prurient pornography” that Strike 3 was alleging had been infringed. The opinion was notably scathing:

Armed with hundreds of cut-and-pasted complaints and boilerplate discovery motions, Strike 3 floods this courthouse (and others around the country) with lawsuits smacking of extortion. It treats this court not as a citadel of justice, but as an ATM. Its feigned desire for legal process masks what it really seeks: for the court to oversee a high-tech shakedown. This court declines.²

On appeal, the DC Circuit acknowledged the district court’s broad discretion over the conduct of discovery but held that the district court abused this discretion in three ways. First, it was improper for the district court to consider the “aberrantly salacious nature” of the copyrighted works as relevant to its analysis of whether Strike 3 was entitled to early discovery. Second, it was improper for the district court to consider its belief that, even if the discovery request was granted, Strike 3 would not be able to identify the correct infringer, noting that at this stage of discovery, a court is not to pass judgment on the strength of the plaintiff’s claims. Third, the DC Circuit found that the lower court drew improper and unsupported negative inferences against Strike 3 regarding its motives and litigation tactics, especially since the court was required to assume the truth of Strike 3’s factual allegations and draw all reasonable inferences in its favor. Accordingly, the DC Circuit reversed the denial of Strike 3’s discovery motion, as well as reversed and remanded the dismissal of the Complaint.

With this victory, copyright trolls managed to stem the tide of adverse decisions that were coming from some highly skeptical courts.³ This decision could increase the trolls’ bargaining power in settlement negotiations because there is

record-high-last-year-190104/#:~:text=The%20number%20of%20piracy%20lawsuits,were%20filed%20against%20BitTorrent%20users.

² Strike 3 Holdings, LLC v. Doe, 351 F. Supp. 3d 160 (D.D.C. 2018), *rev’d and remanded*, 964 F.3d 1203 (D.C. Cir. 2020).

³ See also *Cobbler Nevada, LLC v. Gonzales*, 901 F.3d 1142 (9th Cir. 2018) and *Strike 3 Holdings, LLC v. Doe*, No. 18-CV-0449 (ENV) (JO), 2019 WL 2022452 (E.D.N.Y. Mar. 21, 2019).

now recent authority that courts are not to consider the nature of their business model or made early judgments on their likelihood of success, making it easier to squeak by motions to dismiss.

[C] Who Is Subject to Suit?

A recent Supreme Court case made it clear that states are not appropriate defendants in copyright infringement cases. In March of 2020, a unanimous Supreme Court determined that states have sovereign immunity under the Copyright Remedy Clarification Act of 1990 (“CRCA”), regardless of an express provision in the act that removes sovereign immunity in copyright infringement cases. The case is *Allen v. Cooper*, 140 S. Ct. 994, 206 L. Ed. 2d 291 (2020). In 1996, a marine salvage company named Intersal, Inc. discovered the shipwreck of the *Queen Anne’s Revenge* off the North Carolina coast. North Carolina, the ship’s lawful owner, hired Frederick Allen, a professional videographer to document the recovery efforts. Allen recorded videos and took photographs of the recovery efforts for more than 10 years. Allen registered copyrights in all of the resulting works. North Carolina published some of the works on-line and Allen sued for copyright infringement. North Carolina moved to dismiss on the grounds of sovereign immunity. Allen survived the Motion to Dismiss by noting that the Copyright Remedy Clarification Act of 1990 (“CRCA”) removed the State’s sovereign immunity in copyright infringement cases. The district court found that the CRCA demonstrated a clear congressional intent to abrogate state sovereign immunity and had a proper constitutional basis for that abrogation. The court acknowledged North Carolina’s argument that *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*, 527 U.S. 627, 119 S. Ct. 2199, 144 L. Ed. 2d 575 (1999), precluded Congress from using its Article I powers—including its authority over copyrights—to strip a state of its sovereign immunity. But the court held that Congress could accomplish its objective under Section 5 of the Fourteenth Amendment. The Fourth Circuit reversed, reading *Florida Prepaid* to prevent Congress from using either Article 1 or Section 5 as a basis to abrogate state immunity.

Judge Kagen delivered the 9-0 opinion of the Court, affirming the dismissal and holding that Congress lacked the authority to abrogate the State’s immunity from copyright infringement suits brought under the CRCA.

The question then becomes, can states use copyrighted works with impunity? The answer to this is not clear after *Allen*. It is possible that Congress will try to legislate a solution, but in the meantime, copyright holders may still have the ability to seek injunctive relief, even if the state is immune from a claim of money damages. For example, one court found that while a governmental entity could not be sued for damages arising from a copyright infringement, sovereign immunity did not bar the granting of injunctive relief against state officials. See *Bassett v. Mashantucket Pequot Museum & Research*

Center Inc., 221 F. Supp. 2d 271 (D. Conn. 2002). Moreover, if there is a license with the state, the copyright owner may be able to sue for breach of contract because many states have waived sovereign immunity for commercial contract claims. After *Allen*, it is very important that any license negotiated with a state or state-affiliated actor include a carefully crafted waiver of sovereign immunity.

[D] What is Copyrightable Subject Matter?

[1] Facts and Historical Events Are in the Public Domain and Thus Are Not Copyrightable

A most recent case out of the Ninth Circuit made it more difficult for a copyright owner to sue over a fact-based work. It has always been the law that facts and historic events are not copyrightable under the Copyright Act. 17 U.S.C. § 102. If an author holds out a work as true and factual—such as a biography, a memoir, or a non-fiction work—he or she cannot claim copyright infringement when another uses those facts in a different work, even if the author later claims that creative license was taken, and the facts were embellished or supplemented with creative expression. The Ninth Circuit has dubbed this principle the “asserted truths” doctrine and relies on it in *Corbello v. Valli*, 974 F.3d 965 (9th Cir. 2020) to hold that the musical *Jersey Boys* did not infringe the autobiography upon which it was based.

Plaintiff, Donna Corbello, is the widow and heir of Rex Woodward. Woodward was an author of a biography about Defendant Thomas DeVito, a founding member of the musical group The Four Seasons. Woodward’s DeVito biography was written in 1988 and based on various interviews and discussions he had with DeVito over several years. Woodward and DeVito agreed that they would share credit for the biography as co-authors and split all proceeds from the work equally, including any adaptations. Woodward and DeVito attempted to publish and exploit their work but were unable to do so before Woodward died in 1991. After Woodward’s death, DeVito registered the work with the U.S. Copyright Office under his name alone and later granted an exclusive, irrevocable, perpetual, worldwide and assignable license of the work to the remaining two Four Seasons band members, Frankie Valli and Robert Gaudio. This license enabled them to freely use and adapt the biography to create the musical *Jersey Boys* and paid DeVito a 20% royalty on their exploitation of the work.

Plaintiff Corbello eventually learned that DeVito had registered the copyright in his name alone and was profiting from his license of it. In 2007, Corbello filed suit against DeVito, Valli, Gaudio and 11 other defendants involved in the creation of *Jersey Boys* for copyright infringement and other claims. Corbello eventually secured recognition of Woodward as a co-author of the copyrighted work without the cooperation of DeVito.

After a 15-day trial, the jury found for Corbello, determining that the musical infringed the book, but the district court overturned that verdict, granting judgment as a matter of law on the grounds that much of the alleged infringement related to unprotectable elements of the book and that to the extent the musical infringed on any protected elements, it was fair use.

The case was appealed to the Ninth Circuit on the issue of whether the *Jersey Boys* musical infringed any protectable elements of the DeVito biography. The court affirmed the district court's decision that the musical did not infringe the biography but did not reach the question of fair use. The panel held that each of the alleged similarities between the musical and the autobiography were based on historical facts, common phrases, and *scenes-a-faire*, or elements that were treated as facts in the autobiography and were thus unprotected by copyright, even though now challenged as fictional. Adopting an "asserted truths" doctrine, the panel held that an author who holds their work out as nonfiction cannot later claim, in litigation, that aspects of the work were actually made up and thus entitled to full copyright protection. Because the musical did not copy any protected elements of the autobiography, the panel held there was no copyright infringement.

[2] States Cannot Claim a Copyright in Their Laws

In *Georgia v. Public.Resource.Org, Inc.*, 140 S. Ct. 1498 (2020), the Supreme Court held that a state cannot copyright the annotated version of its state code. Writing for a divided Court, Chief Justice Roberts found that the State of Georgia could not claim a copyright over the annotated version of its statutes and legal code, paving the way for a public interest group to republish the code on the internet without permission. The majority relied on the judicially-created "edicts doctrine," which precludes government officials with the power to speak with the force of the law to be considered "authors" of the works they create for copyright purposes. After a lengthy analysis of the relevant precedent discussing the edicts doctrine, Roberts boiled it down succinctly:

Instead of examining whether given material carries "the force of law," we ask only whether the author of the work is a judge or a legislator. If so, then whatever work that judge or legislator produces in the course of his judicial or legislative duties is not copyrightable. That is the framework our precedents long ago established, and we adhere to those precedents today.

Accordingly, if the work was written by a judge or a legislator in the course of their duties it is not subject to copyright. It is unclear after this case whether there will be a financial incentive for states to annotate their laws if they cannot hold and exploit that copyright. While Congress could change this outcome by statute, in the meantime states cannot copyright annotated laws.

[E] What Constitutes Infringement?**[1] Proving Substantial Similarity****[a] *It Is Unlikely That Substantial Similarity Can Be Determined at the Pleading Stage***

In order to make out a prima facie case of copyright infringement, the plaintiff must show that his work was actually copied and that the copying amounts to an improper appropriation, *i.e.*, that there is “substantial similarity” between the two works.⁴ Several recent cases have made it clear that it is unlikely that substantial similarity (or lack thereof) can be determined at the pleading state. First, we turn to the latest installment in the long-running battle involving the iconic song, *Stairway to Heaven*. In *Skidmore, as Trustee for the Randy Craig Wolfe Trust v. Led Zeppelin*, 952 F.3d 1051 (9th Cir. 2020), *cert. denied sub nom. Skidmore, as Trustee for the Randy Craig Wolfe Trust v. Led Zeppelin*, 141 S. Ct. 453 (2020), the Ninth Circuit abrogated the inverse ratio rule for showing substantial similarity and affirmed a jury verdict in favor of Led Zeppelin. In *Skidmore v. Led Zeppelin*, the Ninth Circuit, sitting *en banc*, reinstated a 2016 jury verdict in favor of the English rock band Led Zeppelin, its members, and music publishers. The case began in 2014 when plaintiff Michael Skidmore, as trustee of the Randy Craig Wolfe Trust, filed a copyright infringement suit alleging that Led Zeppelin’s 1971 song *Stairway to Heaven* infringed on the copyright of the song *Taurus*, written by Wolfe and performed by his band, *Spirit* in the 1960’s. Skidmore claimed that the beginning notes of *Stairway to Heaven* are substantially similar to the eight-measure opening passage of *Taurus*. After a five-day trial, the jury returned a verdict for Led Zeppelin, finding that the two songs were not substantially similar under the “extrinsic test,” one of two tests that must be satisfied in the Ninth Circuit for works to be deemed substantially similar. Skidmore appealed and a panel of the Ninth Circuit vacated the judgment in 2018 and remanded the case for a new trial. The Ninth Circuit then granted rehearing *en banc*.

In affirming the district court’s judgment in favor of Led Zeppelin, the Ninth Circuit addressed the propriety of the inverse ratio rule, which provides that a lower level of proof is needed to show substantial similarity when the plaintiff shows a high degree of access. Following the Second, Fifth, Seventh, and Eleventh Circuits, the Ninth Circuit held that the district court did not err in failing to instruct the jury on the inverse ratio rule. The Ninth Circuit overruled existing precedent and rejected the inverse ratio rule because it is not a part of the Copyright Act, it is illogical that complete access should abrogate the need to show similarity, and it provides an unfair advantage to those with more accessible works.

⁴ See *e.g.*, *Castle Rock Entm’t, Inc. v. Carol Publ’g Grp.*, 150 F.3d 132, 137 (2d Cir. 1998).

The Ninth Circuit also found that it was not error for the court to prevent the jury from hearing a sound recording of *Taurus* as opposed to simply examining the deposit copy of the sheet music because the 1909 Copyright Act limited copyright protection for unpublished musical works to the deposit copy. Sound recordings themselves only became subject to copyright protection in 1972 and then only for those fixed on or after February 15, 1972. Accordingly, the Ninth Circuit concluded that the *Taurus* deposit copy alone defined the scope of the song’s copyright.

The *en banc* court further rejected Skidmore’s appeal of the trial court’s instruction that copyright does not protect common musical elements, such as descending chromatic scales, arpeggios, or short sequences of three notes—elements Skidmore claimed Led Zeppelin copied. The Ninth Circuit affirmed that this instruction was proper as an accurate representation of copyright law. The Court found no reversible error in any of the court’s other jury instructions or evidentiary rulings and affirmed the judgment that *Stairway to Heaven* does not infringe *Taurus*. On a cross-appeal by defendant music publisher Warner/Chappell, the *en banc* court also affirmed the district court’s denial of attorneys’ fees and costs.

[b] *Zindel and Alfred v. Walt Disney*

In addition to Led Zeppelin, two other recent rulings from the Ninth Circuit make it more difficult to establish that there are no substantial similarities between two works at the motion to dismiss stage. In *Zindel as Trustee for the David Zindel Trust v. Fox Searchlight Pictures, Inc.*, 815 Fed. Appx. 158 (9th Cir. 2020), the author’s son brought a copyright infringement action against a movie studio alleging that its movie, *The Shape of Water*, was based on his father’s play, *Let Me Hear You Whisper*. The United States District Court for the Central District of California granted Fox’s motion to dismiss for failure to state a claim, holding there was no substantial similarity between the two works as a matter of law. On Zindel’s appeal of that ruling, the Ninth Circuit held that reasonable minds could differ on whether there was substantial similarity between the play and the movie, which precluded dismissal for failure to state a claim. The Ninth Circuit held that at the motion to dismiss stage, “reasonable minds could differ on whether there is substantial similarity, [and] additional evidence, including expert testimony, would aid in the objective literary analysis needed to determine the extent and qualitative importance of the similarities. . . .”

In *Alfred v. Walt Disney Co.*, 821 Fed. Appx. 727 (9th Cir. 2020), the Court reached a similar conclusion in a case in which the plaintiffs claimed that the movie *Pirates of the Caribbean* infringed their screenplay. The lower court had dismissed the claim, holding that Disney could not be sued over “generic, pirate-movie tropes.” The Ninth Circuit reversed, holding that at this early stage of the litigation, it is difficult to know whether or not such elements were protectable and that additional evidence, including expert proof, was necessary to determine whether the two works were substantially similar.

Taken together, these three cases will embolden plaintiffs and increase their settlement leverage because it will be very difficult for a defendant to successfully obtain a dismissal on the basis that two works are not substantially similar.

[2] Defenses

[a] Fair Use

There have been some interesting recent fair use cases. Not every unauthorized use of a copyrighted work by a third party is infringement. “The fair use defense permits courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster.” See *Dr. Seuss Enterprises, L.P. v. ComicMix LLC*, 983 F.3d 443, 451, 20 Cal. Daily Op. Serv. 12828 (9th Cir. 2020) (citations omitted). In *ComicMix*, the Ninth Circuit Court of Appeals held that *Oh, the Places You’ll Boldly Go!*, a Dr. Seuss and Star Trek mashup illustrated book, was not a fair use exempted from copyright liability. This decision was a win for copyright owners and underscores how relying on the defense of parody and fair use can be a risky proposition for content creators. In *ComicMix*, the plaintiff owns, by assignment, the copyrights of works of the late Theodor S. Geisel (a/k/a Dr. Seuss), including the book *Oh, the Places You’ll Go!* (“*Go!*”). The plaintiff publishes the works and licenses them for use in numerous other entertainment products. The defendants, *Star Trek* episodes author David Gerrold, illustrator Ty Templeton, and editor Glenn Hauman (collectively, *ComicMix*), authored *Oh, the Places You’ll Boldly Go!* (“*Boldly*”). *Boldly* is a mash-up that borrows liberally—graphically and otherwise—from *Go!* and other works by Dr. Seuss, and that uses Captain Kirk and his spaceship *Enterprise* to tell readers that “life is an adventure but it will be tough.” The Ninth Circuit noted that the creators thought their *Star Trek* primer would be “pretty well protected by parody,” but had acknowledged that “people in black robes” may disagree. And disagree they did.

In 2019, the District Court for the Southern District of California had found that *Boldly* was sufficiently transformative under the first prong of the fair use analysis, to constitute fair use. *Amici* briefs were submitted supporting both sides in front of the Court of Appeals, with copyright owners concerned that a finding of fair use would result in any mashup combining creative elements from disparate sources being free of copyright liability. On the other hand, some *amici*, such as Electronic Frontier Foundation and Public Knowledge, were worried about the suppression of creative expression.

The factors that determine fair use are reflected in § 107 of the Copyright Act:

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;

- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

ComicMix LLC, 983 F.3d at 451.

The Ninth Court ultimately found that all of the fair use factors favored Dr. Seuss and that *Boldly* was infringing of *Go!*. Because it did not critique or comment on the copied material, the Court first found that *Boldly* was not a parody. Next, the Court resoundingly found that *Boldly* was not a fair use of *Go!*, holding that *Boldly* was not transformative; that it took a substantial amount from *Go!*; that *Boldly* took the heart of *Go!* and usurped its potential market. However, the Court did find that the alleged use of trademarks in the title, the style of illustration, and the font from the original work did not support a Lanham Act trademark infringement claim.

This case underscores how risky it can be to rely on a fair use or parody defense. Because the analysis is so fact-intensive, the creator that borrows from another may not know if the defenses will be successful until it has spent hundreds of thousands of dollars in litigation. The negotiation of a license on the front end may be far more cost-effective than chancing it.

[b] Fair Use, De Minimis Use, and Implied License

A recent New York district court case reached a more defendant-friendly result on the fair use defense, chiefly because there was a very different factual scenario. A recent case from the Southern District of New York is instructive on the defenses of fair use, *de minimis* use, and implied license in the fascinating context of basketball superstars and their tattoos. There has long been an open question about the interplay of tattoos and copyrights.⁵ Given that a tattoo's design is capable of being copyrighted, entertainment companies and content creators have faced uncertainty about whether and how much of a personality's tattoos can be shown in a creative work without incurring liability for copyright infringement. In *Solid Oak Sketches, LLC v. 2K Games, Inc.*, No. 16-CV-724-LTS-SDA, 2020 WL 1467394 (S.D.N.Y. Mar. 26, 2020), a tattoo licensing company, Solid Oak Sketches, LLC, brought a copyright infringement lawsuit against the developers, publishers and marketers of the video game *NBA 2K* based on their realistic depiction and inclusion of five tattoos on the game's likeness of NBA players Eric Bledsoe, LeBron James, and Kenyon Martin. The district court granted 2K Games' motion for summary judgment in its entirety and dismissed the case, holding that 2K Games made only *de minimis* use of the tattoos, had an implied license to use the tattoos, and any use it made of the tattoos was fair and not infringing.

⁵ See e.g., *Reed v. Nike Inc.*, No. CV-05-198 (D. Or. Feb. 10, 2005); *Whitmill v. Warner Bros. Entm't Inc.*, No. 11-0752, motion for preliminary injunction denied (E.D. Mo. May 24, 2011).

At issue were five tattoos that appeared in the video game on these three players' likenesses. Solid Oak, which acquired an exclusive license to each of the tattoos, claimed that 2K Games' inclusion of the tattoos in the game to depict the physical likeness of the NBA players infringed its copyrights.

The district court first addressed the factors used to determine whether an allegedly infringing use is *de minimis*—the amount of the copyrighted work that is copied, the observability of the copied work (the length of time the copied work is observable in the allegedly infringing work), and elements such as “focus, lighting, camera angles, and prominence.” The court held that no reasonable observer could find that the tattoos in NBA 2K are substantially similar to the tattoo designs licensed to Solid Oak, because the tattoos appeared on only three out of over 400 possible players that could be selected for the game, and even when one of these players were shown, the tattoos were too small, blurry, and distorted by camera angles and game elements to be identified. In short, the defendants' use of the tattoos fell below the “quantitative threshold of substantial similarity.”

Not only was 2K Games' use of the copyrighted work *de minimis*, they had an implied license to use the tattoos as part of the players' respective images and likenesses. The court held that, before Solid Oak was assigned any interest in the tattoos from the artists, the artists had granted an implied license to the players to use and display the tattoos as part of their image and likeness, and that the players had, in turn, licensed the use of their likenesses to Take Two for use in the video game. Take Two submitted affidavits from the tattoo artists that created the five works, all of whom testified that it was their intent to have their artwork become part of the players' likenesses, as well as their knowledge that the players were likely to appear in public and other forms of media. After noting that the Second Circuit had yet to rule on the precise circumstances necessary to find an implied nonexclusive license, the district court reasoned that one could be found in this case, as the tattoos were created at the players' request for the purpose of being displayed as part of the players' image and likeness.

Finally, the district court found that 2K Games' use of the tattoos in the game amounted to fair use. The court first recognized that the nature and character of 2K Games' use was transformative, because the tattoos were used for the purpose of creating a realistic depiction of the players' likenesses, rather than their original purpose (self-expression through body art), which weighed in favor of fair use. Further, the tattoos were too small and distorted to see more than a glimpse of the works' expressive value. They were also a small part of the overall game experience. And while the game was commercial, the tattoos were only incidental to the commercial aspect of the game.

The court next held that the nature of the works was more factual than expressive, as they were all copied from common tattoo motifs or from designs and pictures that the artists themselves did not create. Although Take Two included the full tattoos in its game, the tattoos that appeared in the game were substantially smaller than in real life, which also weighed in favor of fair use.

Finally, the court found that there was no market for licensing of tattoos for use in video games, nor was one likely to develop. And, even if it did, the court noted that Solid Oak would not be able to profit from such a market, because it had not also obtained the requisite rights to the players' likenesses. Because all four factors weighed in favor of fair use, the court granted 2K Games' summary judgment motion on this ground as well.

Content creators should be mindful of any tattoos that appear as part of an actor or personality's image and likeness when negotiating for their inclusion in a creative work. While Take Two was able to establish that any use it made of the tattoos was *di mimimis* and fair and that they had an implied license to depict the tattoos, it would be wise to address this issue on the front end with an express license, an indemnity agreement, and/or an assignment from the tattoo artist if the tattoo will figure prominently in the work.

[F] Musical Works

[1] ISPs *Can* Have Liability for Illegal Downloads

Internet Service Providers ("ISP") recently received a reminder of how expensive it can be to fail to implement and enforce adequate policies to identify and terminate repeat copyright infringers from their service. In June of 2020, the Eastern District of Virginia upheld a \$1 billion music piracy jury verdict against Cox Communications for vicarious and contributory copyright infringement. *See Sony Music Entertainment v. Cox Communications*, 464 F. Supp.3d 795 (E.D. Va. 2020). Major record labels, such as Universal Music Group, Sony Music Entertainment, and Warner Music Group, Inc., had sued Cox for enabling subscribers to illegally copy and distribute works over peer-to-peer networks, such as BitTorrent, Ares, Gnutella, and eDonkey.

An ISP is generally provided a "safe harbor" for copyright infringement under the Digital Millennium Copyright Act ("DMCA") (17 U.S.C. § 512(a)), provided that it has appropriate policies to terminate repeat infringers. *Id.* at § 512(i)(1)(A). However, Cox was not entitled to that protection because the court had already determined that its repeat infringer policy was inadequate in earlier litigation. This set the stage for the jury to return a verdict finding Cox liable for both vicarious and contributory copyright infringement of over 10,000 musical works. After trial, Cox filed a Renewed Motion for Judgment as a Matter of Law and a Motion for Remittitur or, in the Alternative, a New Trial.

The Eastern District of Virginia upheld the jury verdict, ruling there was enough evidence to hold Cox liable for illegal downloading by its subscribers. The jury found Cox failed to address the copyright infringement despite receiving information from the copyright owners about the time, place, and IP addresses responsible for illegally distributing and reproducing music files over Cox's network. The court held that there was enough evidence to find the technology used

to detect the infringement was reliable, that Cox had the right and ability to supervise its subscribers' infringement, and that Cox gained a financial benefit from the infringement. In short, there was a sufficient basis for the jury to find Cox liable for vicarious and contributory copyright infringement.

The court also rejected Cox's argument that the statutory damage award was "grossly excessive," refusing to overturn the jury's award of \$99,830.29 per infringed work. Among other things, the court held jurors were entitled to consider the "far-reaching adverse effects of piracy" on the entire digital media ecosystem when punishing Cox. The only relief Cox received was the opportunity to identify overlapping copyrights and determine if the exact number of distinct works that have been infringed should be reduced. Even this small victory for Cox was short-lived as Judge O'Grady foreclosed any recalculation of the damage award in an order issued on January 12, 2021, on the basis that Cox failed to make the argument that the number of works was incorrectly calculated to the jury.

The most urgent takeaway from this case is that all ISPs should have effective procedures to discover and prevent repeat infringers and they must consistently and uniformly follow them. Failure to do so can have catastrophic consequences.

[G] Social Media

[1] Use of Instagram's Embed Tool May Be Infringement Without an Explicit License

A pair of recent decisions out of the Southern District of New York indicate it is risky for digital media companies to embed a link to an Instagram post in another work. The party that embeds the link cannot rely on an argument that it had a sublicense for embedding the post arising from Instagram's terms of use. Moreover, the fair use doctrine may not save the poster from a finding of infringement. In *McGucken v. Newsweek*, 464 F. Supp. 3d 594 (S.D.N.Y. 2020), defendant Newsweek embedded an Instagram post of a photograph taken by plaintiff Elliot McGucken of a Death Valley lake in an online article about the same lake, titled "Huge Lake Appears in Death Valley, One of the Hottest, Driest Places on Earth." The *Newsweek* article noted that McGucken took photographs of the lake and incorporated quotes from McGucken about the lake. McGucken brought an action for copyright infringement, alleging Newsweek reproduced and displayed the photograph online without permission. Newsweek moved to dismiss, asserting McGucken's public Instagram post granted Newsweek a valid sublicense to use the Photograph and, alternatively, its use constituted a fair use.

First, the court determined that there was insufficient evidence of an existing sublicense between Instagram and Newsweek and declined to dismiss the case on that basis. Further, the court determined that such use did not amount to

fair use. The first fair use factor, the purpose and character of the use, weighed against a finding of fair use because Newsweek used the Photograph as an “illustrative aid depicting the subject of the Article.” Merely adding “token commentary” where the subject of the article was the lake depicted in the Photograph, not the Photograph itself, did not imbue the image with new meaning. The fact that Newsweek’s use was commercial in nature further weighed against a finding of fair use. The court held the second factor, the nature of the work, favored neither party. The Photograph’s “creative expression through its framing and coloration” weighed against fair use, while its prior publication weighed in favor of fair use. Similarly, the court found the third factor, the amount and substantiality of the work used, was neutral. When the work is a photograph, all or most of the photograph generally must be used to preserve its meaning. The fourth factor, the effect of the use upon the potential market for or value of the work, weighed against fair use. The district court applied a presumption of market harm because Newsweek’s use was both commercial and a duplication of the entire photograph. Even though McGucken failed to present evidence of the existence of a market for or usurpation of such a market for the photograph, Newsweek failed to present evidence that its use would not harm any market for the Photograph. Without “countervailing considerations,” Newsweek could not overcome the presumption and the Motion to Dismiss was denied.

Three weeks later, a different Manhattan federal judge reached a similar conclusion in *Sinclair v. Ziff Davis, LLC*, No. 18-CV-790 (KMW), 2020 WL 3450136 (S.D.N.Y. June 24, 2020), when it denied defendant Mashable’s motion to dismiss on the basis that it was not clear that Instagram’s vague user policy gave Mashable the necessary “explicit consent” to embed a photographer’s post on its website. These cases make it clear a content creator that embeds links to Instagram content without an express license or a compelling case for fair use, may be in for long and protracted litigation of those defenses.

[H] Art Works

[1] VARA Can Provide Substantial Liability for Destroying Art

On February 20, 2020, the Second Circuit decided *Castillo v. G&M Realty L.P.*, holding that even street art graffiti with a temporary lifespan can achieve “recognized stature” and thus protection under the Visual Artists Rights Act of 1990 (“VARA”). *Castillo v. G&M Realty L.P.*, 950 F.3d 155 (2d Cir. 2020), as amended (Feb. 21, 2020), *cert. denied sub nom. G&M Realty L.P. v. Castillo*, 141 S. Ct. 363 (2020).

VARA was added to U.S. copyright laws in 1990 and grants visual artists certain “moral rights” in their works. *See* 17 U.S.C. § 106A(a). In short, the statute prevents modifications of artworks that would be harmful to the artists’ reputations. It also provides an artist the right to claim authorship of a work that he or she created and the right to prevent the use of his or her name on a work that the

artist did not create. Most significantly for purposes of this case, the statute allows artists to prevent destruction of their work if the work has achieved “recognized stature.”

In *Castillo*, Gerald Wolkoff, the owner of property that housed a famous New York City graffiti exhibition space known as 5Pointz, wanted to demolish the space and erect luxury apartments. When plaintiff Cohen, an artist and long-time curator of the space, learned that Wolkoff planned to tear the building down, Cohen and numerous 5Pointz artists, including plaintiff Castillo, sued to prevent destruction of the site. After first granting a temporary restraining order preventing demolition, the district court then denied the artists’ petition for a preliminary injunction. Several nights later and before the court could issue a written order denying the injunction, Wolkoff ordered a cadre of workers to hurriedly paint over the art with cheap whitewash and left the destroyed works on display for millions of people passing the site on the subway, a course of action that the district court would later call “an act of pure pique and revenge.” The case then became about determining whether the works had “recognized stature” such that VARA applied and, if so, what damages, if any, were the plaintiffs entitled to for the destruction of graffiti art?

In its decision, the Second Circuit determined that all 45 works at issue were of “recognized stature” and therefore protected by VARA. According to the Second Circuit, the fact that some of the graffiti was temporary would not prevent it from being protectable under VARA, which makes no distinction between temporary and permanent works. Instead, “a work is of recognized stature when it is one of high quality, status, or caliber that has been acknowledged as such by a relevant community,” a determination that is best made with the assistance of expert testimony or substantial evidence of non-expert recognition. After finding that VARA applied to protect the destroyed artwork, the Second Circuit affirmed the award of \$6.75 million in statutory damages plus attorney fees against Wolkoff. This award was calculated by multiplying the maximum amount of statutory damages (\$150,000) for willful infringement by the number of artworks destroyed (45).

This case underscores the importance of obtaining a VARA waiver from any artist that is transferring rights in his or her artwork. The author or joint author of a work can exercise rights under VARA, regardless of whether he or she holds title either to the copyright or the artwork itself. Consequently, while both copyright and physical ownership are property rights that can be transferred, moral rights may not be transferred. Moral rights may, however, be waived, but the waiver must be very specific. The creator must consent in a written and signed instrument that specifically sets out the work, the uses of that work, and containing a clause that limits the waiver to the particular work and use. Where the artwork is created by more than one author, any one creator’s waiver binds the group.

