

## ADDITIONAL DEVELOPMENTS— COPYRIGHT

### *WB MUSIC CORP. v. RTV COMMUNICATION GROUP*

*445 F.3d 538 (2d Cir. 2006)*

The United States Court of Appeal for the Second Circuit held that an unauthorized compilation of music copyrighted by several authors does not qualify as “one work” when calculating statutory damages under § 504(c)(1) of the Copyright Act.

17 U.S.C. § 504(c)(1) provides that copyright owners who prevail in a copyright action may elect awards of “statutory damages for all infringements involved in the action, with respect to any one work.” The defendants’ infringing compilation consisted of seven compact discs that included thirteen songs to which plaintiffs held copyrights. Applying § 504(c)(1)’s provision that “[f]or the purposes of this subsection, all the parts of a compilation or derivative work constitute one work,” the lower court granted plaintiffs only seven statutory damage awards, ruling that defendants had infringed by creating seven CD complications, each constituting “one work.”

The Second Circuit vacated the decision and remanded the case, holding that § 504(c)(1)’s limiting of damage awards for compilations applies only to compilations authorized or created by copyright owners, not unauthorized compilations created by defendants. Thus, statutory damage provisions applied to each separate copyrighted work, warranting thirteen statutory damage awards for each of the thirteen infringed songs on defendants’ illegal compilations.

***LAWS V. SONY MUSIC ENTERTAINMENT, INC.***

*448 F.3d 1134 (9th Cir. 2006), cert. denied, 2007 WL 559894 (Feb. 26, 2007)*

The United States Court of Appeal for the Ninth Circuit held that copyright claims of an artist based on California common law were preempted by the Copyright Act.

Debra Laws, a vocal artist and a member of Debra Laws and Spirit Productions (“Spirit”), entered into an agreement in 1979 with Elektra/Asylum Records (“Elektra”) to produce master recordings of Laws’s vocal performances for Elektra. The agreement included a sale of copyright interests to Elektra, with exclusive rights to “lease, license, convey, or otherwise use or dispose of” the recordings, and exclusive rights to permit others to use information pertaining to Laws in connection with the recordings. Laws, however, retained a right of first refusal for all future uses of her work. In 1981, under the Elektra label and subject to the terms of the above contract, Laws recorded the song “Very Special.”

Sony Music Entertainment, Inc. (“Sony”), a music entertainment company, purchased a license from Elektra’s agent to use samples of “Very Special” in the song “All I Have,” performed by Jennifer Lopez and L.L. Cool J. The agreement between Sony and Elektra required a credit attribution for use of the song; however, Elektra did not seek permission to use the work from Laws or Spirit, nor did Elektra compensate Laws or Spirit for the use of the samples.

In February 2003, Laws brought an action in the Superior Court of California, County of Los Angeles against Sony. Seeking injunctive and monetary relief, Laws claimed: (1) a common law invasion of privacy for misappropriation of Law’s name and voice, and (2) misappropriation of Laws’ name and voice for a commercial purpose under California Civil Code § 3344. Sony removed the case to the United States District Court for the Central District, which subsequently found that both misappropriation claims were preempted by the Copyright Act. The court granted Sony’s motion for summary judgment, and Laws appealed to the Ninth Circuit.

The Ninth Circuit panel affirmed, finding that Laws’s case met the two-part test for preemption: (1) the “subject matter” of the state law claim fell within the subject matter of § 102 of the Copyright Act, and (2) the rights asserted under the state law claim were equivalent to the exclusive rights found in § 106 of the Copyright Act. Under the first prong, the court made clear that although the sound of an artist’s voice, unfixed in a tangible medium, does not fall under the Copyright Act, the sound recording of an artist’s voice does, distinguishing it from *Midler v. Ford Motor Co.*, 849 F.2d 460 (9th Cir. 1988) and *Waits v. Frito-Lay, Inc.*, 978 F.2d 1093 (9th Cir. 1992), in which singers brought similar claims against mimicry.

Under the second prong, the court found that the additional element of “commercial use” under California Civil Code § 3344 was not sufficient to distinguish Laws’s claim from a copyright claim, since the underlying “nature of the claim” was still identical to the copyright claim. The court, however, explicitly noted that the ruling applied only to rights arising from the subject matter of copyright and did not extinguish causes of action arising from common law or statutory rights of privacy, publicity and trade secrets.

As to the violation of Laws’s right of first refusal, the court found that legal action, if taken at all, should be taken against Elektra as the party with whom Laws had established that right and not against Sony, the party who had purchased the license to the recording.

***TWENTIETH CENTURY FOX FILM CORP. V. ENTERTAINMENT  
DISTRIBUTING***

*429 F.3d 869 (9th Cir. 2005), cert. denied sub nom.  
Dastar Corp. v. Random House, Inc., 126 S. Ct. 2932 (2006)*

The United States Court of Appeal for the Ninth Circuit affirmed a district court's ruling that Dastar Corporation ("Dastar") was liable for copyright infringement. The work at issue, Dwight Eisenhower's book about World War II titled *Crusade in Europe*, was a work-for-hire that entitled its publisher Doubleday as well as its film assignee Twentieth Century Fox ("Fox") to copyrights in the work. Dastar, which had used large sections of the book without permission as part of the narration in its video "Campaigns in Europe," argued that the book was not produced as a work-for-hire because Eisenhower was an "independent contractor."

Despite Dastar's challenges to the record, the Ninth Circuit found no error in the lower court's findings of fact. The facts showed that President Eisenhower had been reluctant to write a book until Doubleday representatives convinced him to do so. Furthermore, Eisenhower desired special tax treatment for writing the memoir, so the parties did not sign an agreement, and Doubleday did not pay him, until after he had finished writing. Still, Eisenhower wrote the work at Doubleday's direction, with heavy supervision and editorial and financial assistance from Doubleday.

The court's standard for determining whether a work qualified as a work-for-hire required a showing that, "[i]n the absence of an express contractual reservation of the copyright in the artist... the mutual intent of the parties is that the title to the copyright shall be in the person at whose instance and expense the work is done." After determining that independent contractors could nonetheless create works-for-hire, the Ninth Circuit applied the "instance and expense" test and held that when the "motivating factor" for the author's decision to produce a work was the employer's "inducement," that author creates a work at the publisher's "instance." The court identified Eisenhower's situation as a "prototypical case" in which a reluctant author began writing only after being persuaded by the publisher, thus qualifying the book as a work-for-hire. The court also found little doubt that President Eisenhower created the work at Doubleday's expense, given that Doubleday shouldered almost all the expense for the publishing process.

Dastar also argued that the circumstances suggested that Eisenhower and Doubleday evinced no intent to create a work-for-hire. The court rejected this argument, ruling that though the "instance and expense" test was rebuttable by a showing of the parties' intent not to create a work-for-hire, the record included no evidence of such intent.

***EGILMAN V. KELLER & HECKMAN, LLP****401 F. Supp. 2d 105 (D.D.C. 2005)*

The United States District Court for the District of Columbia ruled that accessing a computer through the unauthorized use of a valid username and password did not constitute circumvention of a technological measure within the meaning of the Digital Millennium Copyright Act of 1998 ("DMCA").

David Egilman, a medical doctor and associate professor at Brown University, served as an expert witness in a toxic tort case, *Ballinger v. Brush Wellman, Inc.* In that action, the court found that Egilman had posted "scurrilous and inflammatory statements" on his personal website, in violation of a court order not to make any out of court statements concerning the case, including on any website. As a result of this violation, the *Ballinger* court sanctioned Egilman. Mr. Egilman brought the present action after he discovered that Jones Day, the law firm representing the opposing party in *Ballinger*, obtained the information that led to Egilman's sanction through allegedly questionable means. According to Egilman, Mr. Douglas J. Behr, a partner at the law firm Keller & Heckman, LLP, obtained the username and password to Egilman's website without authorization, and disclosed this information to Jones Day. Egilman brought this action against Keller & Heckman, LLP, Behr, and Jones Day, claiming that they violated the DMCA by "circumvent[ing] the technical measures installed on his website to restrict access to his copyright protected work." Jones Day filed a motion to dismiss, as well as a motion for improper venue. Keller & Heckman LLP, and Behr filed a motion for judgment on the pleadings.

Under the DMCA, 17 U.S.C. § 1201(a)(1)(A), "[n]o person shall circumvent a technological measure that effectively controls access to a [protected work]." Section 1201(a)(3)(A) defines circumvention of a technological measure as a process to "de-scramble a scrambled work, to decrypt an encrypted work, or otherwise to avoid, bypass, remove, deactivate, or impair a technological measure, without the authority of the copyright owner." Based on this statutory definition, the court held that the unauthorized use of a valid username and the accompanying password, without more, does not constitute a violation of the DMCA.

The court relied on *I.M.S. Inquiry Mgmt. Sys., Ltd. V. Berkshire Info. Sys., Inc.*, 307 F. Supp. 2d 521 (S.D.N.Y. 2004), the only previous federal case to address the question of whether unauthorized use of a valid username and password constituted a violation of § 1201(a)(1)(A). Drawing a distinction between "circumvention" and merely bypassing permission, the *I.M.S.* court noted that "a cause of action under the DMCA does not accrue upon unauthorized and injurious access *alone*. . . rather, the DMCA targets. . . circumvention." The *I.M.S.* court held that the defendant's use of a third party's valid username and password did not constitute circumvention, as it "did not surmount or puncture or evade any technological measure. Finding that *I.M.S.* was not factually distinguishable from the present case, the *Egilman* court applied the *I.M.S.* analysis and held that though Jones Day and Keller & Heckman had, without authorization, used a password intentionally issued by Egilman to another user, they had not engaged in any form of circumvention. Thus, the court dismissed Egilman's DMCA claim.

Egilman also sought relief under the Computer Fraud and Abuse Act, the court concluded that the claim was time-barred, and dismissed the claim.

***MACROVISION V. SIMA PRODUCTS CORP.***

*No. 05 Civ. 5587(RO), 2006 WL 1063284 (S.D.N.Y., Apr. 7, 2006),  
reh'g denied, 2006 WL 1472152 (May, 26, 2006)*

The United States District Court for the Southern District of New York granted Macrovision a preliminary injunction against Sima Products Corp. ("Sima") for manufacturing and trafficking a technology for circumventing Macrovision's technological protections in violation of the Digital Millennium Copyright Act 17 U.S.C. § 1201(a)(2)(A) (DMCA). Macrovision also claimed that Sima infringed its Analog Copy Protection (ACP) patents. The court held that the potential violation of the DMCA was sufficient to grant the injunction, and thus did not rule on Macrovision's patent infringement claims.

Macrovision produces and licenses ACP, a DVD copy prevention technology incorporated into DVDs and DVD players, that prevents them from being copied to videocassette. Sima Products Corp. makes devices that circumvent this protection, allowing a DVD protected with Macrovision's technology to be copied onto a videocassette. Sima's devices also provided auxiliary functions, such as the ability to convert between color and black and white, between NTSC and PAL television standards, and to perform color adjustments on the video being copied. Sima argued that its products were used primarily to make 'fair use' backup copies of DVDs from customers' private collections, and to transfer VHS movies and home videos onto DVDs.

The DMCA forbids circumventing technological measures that control access to copyrighted works. It also forbids manufacturing and trafficking devices the primary purpose of which is to circumvent such protection. The DMCA also states that it does not modify existing fair use principles of copyright law.

The court found that the primary purpose of Sima's devices was the circumvention of Macrovision's DVD-protection technologies because Sima marketed the devices explicitly as a means to copy protected DVDs, and because Sima could not show that the circumvention function was essential for the auxiliary functions. The court also rejected Sima's fair use argument on two grounds. First, the court noted that the DMCA provides no exception, fair use or otherwise, to its prohibition against the manufacture of anti-circumvention technology. Second, the court found no fair use right to make a backup copy of copyrighted DVDs for personal use.

Finally, the court held that an injunction was appropriate because Macrovision had a high likelihood of prevailing on the merits, and because Sima's devices presented a threat to Macrovision's business model, tilting the balance of hardships "decidedly" in Macrovision's favor.

***NCR CORP. V. ATM EXCHANGE, INC.****81 U.S.P.Q. 2d 1216 (S.D. Ohio 2006)*

The United States District Court for the Southern District of Ohio denied a motion to dismiss copyright infringement claims because (1) the first sale doctrine was inapplicable because the first 'user' did not receive ownership but merely a license for the use of the copyrighted material; and (2) the "maintenance or repair" defense was unavailable because the copies of software in possession were not authorized copies.

NCR Corporation ("NCR") is a leading provider of automated teller machine (ATM) equipment, including systems with integrated hardware and software. NCR owns copyrights in several software programs installed on its ATMs. The ATM Exchange, Inc. ("ATM Exchange") resells and refurbishes used ATMs including ATMs manufactured by NCR. NCR sued ATM Exchange for copyright infringement, contributory copyright infringement, trademark infringement, trademark dilution, unfair competition, and violation of the Ohio Deceptive Trade Practices Act for refurbishing and reselling used ATMs containing NCR's copyrighted software.

In its motion to dismiss, ATM Exchange invoked the first sale doctrine, which allows the "owner" of a copy of a copyrighted work to transfer that copy without the copyright holder's permission. NCR responded that ATM Exchange was not an "owner" because NCR had merely licensed its software to ATM Exchange. Since the first sale doctrine only covers "owners," not "licensors," and since the license did not allow for sublicensing or transfer of rights to third parties, ATM Exchange's subsequent transfers were illegal. In evaluating the motion to dismiss, the district court assumed that NCR's software was licensed, and found that the first sale doctrine was inapplicable.

ATM Exchange also argued in its motion to dismiss that its refurbishing activities were permitted under the "maintenance or repair" provisions of 17 U.S.C. § 117(c). However, NCR alleged, and the court agreed, that § 117(c) was inapplicable to ATM Exchange went beyond the scope of these provisions by copying NCR's software while testing an upgrade of the software and that the copies of software ATM Exchange had in its possession were not "authorized copies" subject to the maintenance or repair provision.

***PARKER V. GOOGLE, INC.***

*422 F. Supp. 2d 492 (E.D. Pa. 2006)*

The United States District Court for the Eastern District of Pennsylvania dismissed all eleven of Gordon Roy Parker's claims against Google, Inc. ("Google"). Claims of copyright infringement, contributory copyright infringement, vicarious copyright infringement, defamation, invasion of privacy, negligence, Lanham Act violations, and abuse of process were dismissed with prejudice, pursuant to both the Federal Rules of Civil Procedure Rule 8(a) short and simple statement requirement and the Rule 12(b)(6) requirement to state a claim on which relief can be granted. Claims of racketeering and civil conspiracy were dismissed without prejudice, pursuant to the Rule 8(a) short and simple statement requirement.

Google is a popular search engine based in California. In the course of providing its search function, Google makes a copy of websites and stores this copy in "cache," or temporary storage. Links to this "cache" are then provided, sorted by relevance, in response to user queries. Google also maintains a "USENET," which is a "global system of online bulletin boards," allowing users to post and search messages on the system.

Parker, a writer, published on the internet under the name, "Snodgrass Publishing Group." Among Parker's published works is an e-book, "29 Reasons Not To Be A Nice Guy." At one point, Parker posted "Reason #6" from this book on Google's USENET bulletin board system.

Parker was not represented by counsel, and so his voluminous complaint made his arguments difficult to discern. Nonetheless, the court deduced that Parker's copyright claims arose from the fact that Google had copied "Reason #6" from USENET into cache. In addition, Google did not remove search results that included third party websites featuring information about and criticism of Parker, despite Google having been allegedly "put on notice" of the critical nature of these results. The court deduced this to be the grounds of the claims of defamation, invasion of privacy, and negligence. Parker's Lanham Act claim arose from a belief that Google was misrepresenting the origin of a critical website, and the abuse of process complaint arose from Parker's belief that he was being unfairly treated because Google alleged that Parker had "a history of vexatious litigation" in a prior pleading.

On the claim of direct infringement, the court reasoned that an "ISP automatically and temporarily stor[ing] data without human intervention" lacks "the necessary volitional element needed to constitute copyright infringement." The court thus held that Google's use of USENET did not violate Parker's copyright. The court also held that Google's use of caching was not a violation because Google was entitled to a safe harbor under 17 U.S.C. § 512(b).

The court determined that Parker's claims of vicarious copyright infringement failed because Parker did not allege any underlying infringement. Parker's claims of defamation, invasion of privacy, and negligence were also dismissed because Google was entitled to immunity under the Communications Decency Act, 47 U.S.C. § 230. The court dismissed Parker's Lanham Act claims, finding that there was no likelihood that people would confuse Parker for the creator of the website that criticized him and that Google was not a moving force in the criticism simply by reproducing the website. Finally, the court dismissed the claims of abuse of process because Google's prior pleading was in no way a "perversion of the legal process" to achieve unlawful ends.

***PERFECT 10 V. GOOGLE, INC.****416 F. Supp. 2d 828 (C.D. Cal. 2006)*

The United States District Court for the Central District of California held that “thumbnails” of copyrighted images created as part of Google’s Image Search likely directly infringed Perfect 10’s copyright in those images. However, the court also concluded that Perfect 10 would likely not succeed on its vicarious and contributory liability claims. The court granted in part Perfect 10’s motion for a preliminary injunction.

Perfect 10 alleged that Google directly infringed its copyright by displaying thumbnails and full-size images of Perfect 10’s copyrighted photographs as part of Google’s image search. The court considered whether “framing” content stored on other servers constituted a “display” for purposes of copyright law; the court employed the “server test” under which “display” is the act of serving content over the web. Accordingly, Google’s use of frames and in-line links was not a “display” of the full-size images because third-party websites stored and served the images. Nor did Google’s framing and in-line linking constitute “distribution” of the full-size photographs. Therefore, the court ruled that Perfect 10’s claims of direct infringement as to the full size images would likely fail.

Applying the server test, the court did find, however, that the thumbnails directly infringed Perfect 10’s copyrighted images because Google acknowledged that it created and stored those thumbnails on its own servers. Google, however, did not “distribute” these thumbnails by transferring them to the browser’s local internet cache. Acknowledging the point was moot in light of Google’s “displaying” the thumbnails, the court found that the caching process was automatic and likely constituted fair use.

When evaluating the purpose and character of Google’s use, the court found it to be commercial in nature, because Google profits from its AdSense program. Google’s use of thumbnails was “highly transformative” and not a substitute for the full size image. However, it found the thumbnails as a free substitute to images Perfect 10 licensed for distribution on cellular phones. The purpose and character of the use weighed slightly in Perfect 10’s favor.

The court found the “nature of the copyrighted work” weighed “only slightly” in favor of Perfect 10 because the images were “creative.” The images had been previously published both in print and on the web, which increased the probability of finding fair use because the first appearance of the artist’s expression already occurred.

The court found that the third factor, amount and substantiality of the portion used, favored neither party. The court ruled that Google’s use of infringing copies of Perfect 10’s images is no greater than necessary to provide an image search service.

The court found that Google’s use of thumbnails would likely not affect the market for full size images, but might harm the potential market for the downloading of reduced size images onto cell phones, so the fourth fair use factor weighed slightly in favor of Perfect 10. Because the first, second and fourth factors weighed slightly in favor of Perfect 10, and the third factor favored neither party, the court ruled that Google’s generation of thumbnails did not likely fall within the fair use exemption.



## COPYRIGHT ENFORCEMENT ON THE INTERNET

### ***BMG MUSIC V. GONZALEZ***

*430 F.3d 888 (7th Cir. 2005), cert. denied, 126 S. Ct. 2032 (2006)*

### ***VIRGIN RECORDS AM., INC. V. DOES 1-35***

*No. 05-1918, 2006 WL 1028956 (D.D.C., Apr. 18, 2006)*

Two cases demonstrate the continuing success of the music industry in prosecuting those who have downloaded copyrighted music from the internet.

In *BMG Music v. Gonzalez*, the United States Court of Appeal for the Seventh Circuit affirmed a lower court's holding that neither downloading copyrighted songs that one already owns on CD, nor downloading copyrighted songs to sample before buying them, constitutes fair use under 17 U.S.C. § 107. Cecilia Gonzalez had appealed the Northern District of Illinois's ruling granting BMG's motion for summary judgment, enjoining Gonzalez from further infringement and awarding BMG \$22,500 in damages.

The court found that downloading copyrighted works to sample them before buying them at retail was not a form of time-shifting protected by *Sony Corp. v. Universal Studios, Inc.*, because the songs Gonzalez downloaded were posted in violation of copyright law, were obtained by her without paying a license fee to the broadcaster, and because Gonzalez retained the copies after she downloaded them onto her computer. The court also rejected Gonzalez's argument that downloading to sample before purchasing had a positive effect on the market for music, noting that record sales have dropped by approximately 30% during the rise of unauthorized downloading. The court found that music downloaded for free from the internet and retained on the computer was a "direct substitute" for the purchased copy, to the extent that it discouraged users from purchasing a legitimate copy. The court also enumerated several commercially licensed substitutes to Gonzalez's "try before you buy" method, such as radio, internet radio, and iTunes, all of which pay a fee to the copyright owner.

Finally, the court found that because BMG requested the minimum statutory damages of \$750 per work (rather than proving actual injury), and because the number of works infringed was not in dispute, Gonzalez was not entitled to a jury trial. The court also rejected Gonzalez's argument that the jury had the authority to deny a plaintiff recovery, even if the statute makes \$750 the minimum.

In *Virgin Records v. Does*, a coalition of major record labels brought an action against thirty-five John Doe defendants for copyright violations arising out of internet file sharing. John Doe Eighteen, citing lack of personal jurisdiction, moved to quash a subpoena on his ISP forcing it to reveal his IP address. The United States District Court for the District of Columbia denied the motion on the grounds that a personal jurisdiction ruling required knowledge of the defendant's identity, and thus it was premature to consider personal jurisdiction before the defendant's identity could be determined. The court also stated that it would be illogical to deny Virgin Records the means to obtain the basic identifying information they sought through their subpoena.

The court went on to rule that Virgin Records made a prima facie showing of personal jurisdiction for two reasons. First, it was undisputed that the defendant had con-

tracted with Verizon, a District of Columbia based ISP, and used its services to commit copyright infringement. As a result, the District of Columbia's long-arm statute conferred personal jurisdiction. Second, the defendant, irrespective of his place of residence, "directed tortious activity into the District of Columbia." The court cited a Third Circuit ruling holding that those who transmit copyrighted works nationwide "can anticipate that infringement may result at places remote from the place of origin."