

ADDITIONAL DEVELOPMENTS— COPYRIGHT LAW

ASSET MARKETING SYSTEMS, INC. V. GAGNON *542 F.3d 748 (9th Cir. 2008)*

The U.S. Court of Appeals for the Ninth Circuit recently held that an independent contractor had, in the absence of a written agreement, granted an implied, unlimited software license to the company who had commissioned the software. The decision is notable because the panel's analysis did not distinguish implied licenses of software programs from implied licenses of other types of copyright.

Asset Marketing Systems, Inc. (AMS) hired Gagnon's company to write several custom software programs to assist AMS in its business. Though the two parties agreed to several written instruments delineating the parties' obligations, none of the documents clarified the terms and conditions of AMS's use of the Gagnon's software. When their business relationship terminated in acrimony, Gagnon sued AMS for copyright infringement on the theory that AMS did not have the right to use and modify the software programs written by Gagnon. The district court granted summary judgment to AMS on the basis that Gagnon had granted AMS an implied, nonexclusive license to use the software without limitations.

On appeal, the Ninth Circuit affirmed the lower court's ruling. To determine whether AMS had a license to use Gagnon's software, the panel announced that it would apply its test from *Effects Assocs., Inc. v. Cohen*, in which the Ninth Circuit considered the grant of an implied license in the context of audiovisual copyrights. The *Effects* test finds that an implied license is granted if (1) the purported licensee requests creation of the work, (2) the creator makes the work and delivers it to the purported licensee, and (3) the creator intends that the purported licensee exercise one or all of the protected rights associated with the copyrighted work.

Applying the *Effects* test, the Ninth Circuit found that (1) AMS requested Gagnon to create the software program, (2) Gagnon created the software and delivered it to AMS; and (3) Gagnon intended that AMS be permitted to use and modify the software. The court found persuasive that Gagnon never expressed intent to retain exclusive control of the software or otherwise limit AMS's use. Thus, Gagnon granted AMS an implied license to its software, and the district court's summary judgment dismissal of Gagnon's copyright infringement claim was appropriate.

EMI RECORDS LIMITED V. PREMISE MEDIA CORP. L.P.*2008 N.Y. Misc. LEXIS 7485 (N.Y. Sup. Ct. Aug. 8, 2008)*

The New York Supreme Court for New York County held that fair use was a defense to a claim of common law copyright infringement.

Premise Media Corp. (Premise) produced a documentary film titled *Expelled*, which incorporated a portion of John Lennon's recording of "Imagine" (Imagine Recording). Premise had not obtained a license from EMI Records Ltd. (EMI), the owner of the Imagine Recording. Because the Imagine Recording was made in 1971, before Congress amended the Copyright Act to include sound recordings, Imagine Recording was protected by common law copyright rather than federal copyright law. Accordingly, EMI brought suit against Premise in New York State Court for common law copyright infringement.

In response to EMI's filing for a preliminary injunction against Premise's exhibiting of the film, Premise argued that utilizing the Imagine Recording was permitted as a fair use. The issue of fair use as a viable defense to infringement of a common law sound recording was a matter of first impression for the court.

The court ultimately held that fair use was indeed available as a defense. Although several prior decisions had rejected the defense of fair use in common law copyright protection, the court distinguished them as applying only to unpublished works. Common law recognized that an author's interest in a literary work was absolute until it was published, at which point it would be available for third party use subject to federal copyright protection, which supersedes common law protection. Sound recordings prior to 1972, however, had common law copyright protection regardless of their availability to the public. Thus, the reasons for not allowing pre-publication fair use for literary works did not apply to common law sound recordings.

Having decided that fair use was a defense to a common law copyright infringement claim of a sound recording, the court proceeded to evaluate whether Premise's use of the Imagine Recording might constitute fair use regarding EMI's motion for preliminary injunction. The court looked to the four fair use factors set forth in 17 U.S.C. § 107 to inform its analysis. It held that the factors weighed in favor of Premise's use as being fair use. Consequently, the court denied EMI's preliminary injunction motion on the grounds that EMI did not show a "likelihood of success" on its claim that Premise infringed the common law copyright of the Imagine Recording.

TWELVE INCHES AROUND CORP. V. CISCO SYSTEMS, INC.

No. 08 Civ. 6896 (S.D.N.Y. Mar. 12, 2009)

The United States Court for the Southern District of New York held that applying sanctions under the Digital Millennium Copyright Act (DMCA) for damages incurred from misrepresentations in copyright take-down notices to the trademark context would be inconsistent with the intent of Congress when it passed the statute.

Plaintiff, Twelve Inches Corp. (Twelve Inches) ran a “Rent A Cert” website that helped companies to find individuals with particular technology certifications in exchange for a commission. On October 30, 2007, Cisco Systems Inc. (Cisco) sent Twelve Inches a letter stating that Rent A Cert’s website infringed Cisco’s trademarks and that Rent A Cert’s program of “renting” Cisco certified technicians to companies so that they could attain Cisco discounts was fraudulent. Cisco demanded that any reference to their trademarks be removed from its website. Cisco also sent a notice to the Internet Service Provider demanding the take down of the Rent A Cert website on the basis of fraud and trademark infringement. Twelve Inches sued Cisco for misrepresentation under 17 U.S.C. § 512, libel; fraud; unfair business practices under New York General Business Law § 349; and tortious interference with existing business relationships; prospective business relationships, existing contractual relations, and prospective business advantage.

The court held that Section 512 (f) misrepresentation should be limited to misrepresentations of copyright infringement for consistency with the language of the DMCA as a whole and dismissed the claim. The court reasoned that while Section 512 (f) is not explicitly limited to misrepresentation of copyright infringement, it requires that the misrepresentation be “under Section 512” which deals exclusively with copyright infringement. The court held that a take-down notice must have an “identification of the copyrighted work claimed to have been infringed” to have any legal effect under Section 512.