

MUSIC COPYRIGHT LITIGATION

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I. OVERVIEW OF THE MUSIC BUSINESS AND COPYRIGHTS

A. Two Types of Music Copyrights – Both require the work to be original and fixed in a tangible medium (i.e., written down or recorded):

1. Compositions (Words and Music) – The copyright for the words and notes of music (e.g., sheet music).

a) Registered with the copyright office using a Form PA (performing arts).

b) The owner’s rights include:

(1) Reproduction

(2) Distribution

(3) Creation of derivative works

(4) Public performance

(5) Public display (not as applicable to music)

c) Copyright notice is given with the symbol ©

2. Sound Recordings – The copyright in a particular recorded version of a musical composition.

a) Sometimes called a “Master” (i.e., the “master” from which all copies are made from).

b) Registered with the copyright office using a Form SR (sound recording).

c) The owner’s rights include:

(1) Reproduction

(2) Distribution

(3) Creation of derivative works

d) Copyright notice is given with the symbol [®] (phonorecords)

B. Participants in the Music Business

- 1. Songwriter** – the author of the lyrics and music; the original owner of the copyright in the musical composition, so long as the music is recorded (either written or played into a recorder), with exclusive rights to:
 - a)** Reproduce the work (record it, publish as sheet music, put it in a movie, etc.)
 - b)** Distribute copies of the work (separate from recording the work)
 - c)** Perform the work publicly (playing in nightclubs, on the radio, on television, etc.)
 - d)** Make derivative works (parodies)
 - e)** Display the work (does not really apply to the music industry)
- 2. Recording Artist** – Creates recorded music that is imprinted on disks, tapes, or other phonorecords; may also be the songwriter.
 - a) Rights** –
 - (1)** Reproduction, derivation, and distribution.
 - (2)** Under the Digital Performance Rights in Sound Recordings Act (DPRSRA), the rights in sound recordings now include the right “to perform the copyrighted [recording] publicly by means of a digital audio transmission,” including wired or over-the-air transmissions that use digital technology. 17 U.S.C. § 106(6).
 - (3)** But, if a recording artist creates a sound recording pursuant to a Recording Agreement with a Label, the artist may not be the owner of the copyright (see below).
 - b) Royalties** –
 - (1)** New – 13% to 16% of published price to dealers (“PPD”)
 - (2)** Midlevel – 15% to 17% of PPD
 - (3)** “Superstar” – 18% to 20% of PPD

3. **Loan-out Corporation** – Often used by recording artists for tax advantages.
 - a) An artist will set up a loan-out company and sign an exclusive recording contract; then the loan-out company “loans” the artist’s services to a record company when it enters the recording agreement.
 - b) The corporation’s only assets are record royalties, so artists began setting up these companies so that their other income sources (song writing royalties, personal assets) were not vulnerable.
 - (1) However, record labels usually force artists to sign “side letters” or “inducement letters” that form a direct relationship between the artist and the record label.
4. **Group Members** – Subject to additional contract provisions that deal with issues unique to groups, such as band break-ups, departure of a group member, etc.
 - a) **Key member contract provisions** – Only when a key member leaves the group or otherwise breaches the contract may the record label consider the departure or that member’s breach a breach by the whole group; any departure of a non-key member does not constitute a breach.
 - b) **Internal Contracts** – Provisions include:
 - (1) What to do with the group’s name in the event a member leaves;
 - (2) What percentage each group member owns;
 - (3) Whether a member is an owner or employee; and
 - (4) Who controls group decisions.
5. **Producer** – Responsible for bringing the creative product into a tangible form (a recording).
 - a) **Duties** - Maximizing the creative process by finding and selecting songs, deciding on arrangements, getting the right vocal sound, etc., and taking care of all administration, such as booking studios, hiring musicians, staying within a budget, filing union reports, etc.

- b) **Two Categories:**
 - (1) **Major Labels** (Capitol Records, Virgin, Columbia, Epic, Universal, Warner Bros., etc.)
 - (2) **Independent Labels** –
 - (a) Major-Distributed Independent – signs artists and contracts with a major label; record may be released on independent’s or distributing company’s label.
 - (b) True Independent – distribute through independent distributors; includes Ryko, EpiTaph, etc.
 - c) **Payment** – Generally, all proceeds from the exploitation of the sound recordings, less royalties and/or fees owed to all other parties.
 - (1) Under the Digital Millennium Copyright Act of 1998, record labels can now be compensated for nonexempt public performances on subscription services, satellite radio, webcasters, and Internet music providers that offer online music services. 17 U.S.C. § 114
9. **Distributor** – The wholesaler that moves records from manufacturing plants into the stores (includes warehousing, shipping, inventory controls, sales force, etc.) and also distributes music digitally. Examples:
- a) EMI – distributes for Capitol Records and Virgin.
 - b) Sony BMG – distributes for Columbia, Epic, J, Jive, and RCA.
 - c) Universal – distributes for Universal, Interscope/A&M/Geffen, MCA, Island/Def Jam, and Motown.
 - d) WEA – distributes for Warner Bros., Elektra, and Atlantic.
10. **Retailer** – Sells records in stores; holds a 100% return privilege (i.e., if it cannot sell the records it orders from a distributor, it can return them for the price it paid). Includes iTunes, which, like most retailers, typically requires that artists work through a distributor.
11. **Publisher** – Acquires administration rights from songwriters, usually in exchange for the copyright, and performs the administration functions.

- a) **Duties** – Finding users, issuing licenses, collecting money, and paying the writer.
- b) **Royalties** – 50% to the publisher, 50% to the songwriter.

12. Mechanical Rights Organizations (MROs)

- a) **Mechanical Rights** – the term given to three of the rights owned by copyright holders:
 - (1) Right to reproduce
 - (2) Right to prepare derivative works
 - (3) Right to distribute copies
- b) **Duties** – Collect mechanical royalties for compositions on behalf of its members, then distributes the royalties due to the members after deducting its administration fee; the royalties are generally given to publishers, who in turn pay writers their contracted share (usually 50% as indicated above).
- c) **Royalties** – Administration fee of approximately 6%.
- d) **Prominent MRO** – Harry Fox Agency (HFA) – the music publishing industry’s principal clearinghouse for the administration of mechanical rights licenses. Unlike the performing rights societies, HFA is only a collection agency and does not negotiate individual contracts. It files petitions and appears in arbitration hearings before the copyright office that involve compulsory mechanical royalties.

13. Performing Rights Organizations (PROs) –

- a) **Duties:** PROs issue licenses to various users of music, including television and radio stations and networks; new media, including the Internet and mobile technologies such as ringtones and ringbacks; satellite audio services like XM and Sirius; nightclubs, discos, hotels, bars, restaurants and other venues; digital jukeboxes; and live concerts. They track public performances of members’ music, and collect and distribute licensing revenues for those performances as royalties to the respective members, which include songwriters, composers and music publishers.
- b) **Royalties** - Administration fees.

- c) **Prominent PROs:**
 - (1) The American Society of Composers, Authors, and Publishers (ASCAP)
 - (2) Broadcast Music, Inc. (BMI)
 - (3) SESAC

- 14. **Licensee** – Others who wish to use the work (e.g., in motion pictures, television shows and commercials, etc.)
 - a) Artists usually get 50% of the net receipts.
 - b) The “special markets” division of the label, whose job it is to take existing recordings and figure out alternative exploitations of the masters), may take 15% to 25% of the receipt before it is split between the artist and the label.
 - c) Synchronization license
 - (1) License to use music in “timed synchronization” with visual images.
 - (2) Anywhere from \$5,000 to \$6,000 for video games, to \$4,000 to \$10,000 for a television theme song, to \$75,000 to \$500,000 for a one-year nationally broadcast commercial.

- 15. **Internet Service Provider (ISP)** – provides internet access to consumers.
 - a) Frequently receive letters from labels asking the ISP to discontinue service to known infringers (see RIAA case discussion below).
 - b) Are protected from copyright infringement liability under the Digital Millennium Copyright Act if they adhere to the guidelines set forth therein and promptly block access to allegedly infringing material.

- 16. **Consumer** – Buys music in stores, online, or used.
 - a) **Liability for Copyright Infringement** – The Recording Industry Association of America (RIAA) and individual labels have initiated litigation against individuals who download music

illegally, typically through peer-to-peer file-sharing networks (see RIAA case discussion below).

- b) **First Sale Doctrine** – Creates an exception to liability for consumers who are the rightful owners of and wish to sell a lawfully made copy of a work (e.g., selling used CDs to a second-hand music store).

C. Copyright Ownership

1. Under the Copyright Act –

- a) **Single Author** – The copyright vests in the creator of the work, so long as the work is original and of sufficient materiality to constitute a work.
- b) **Joint Works** – When two people create a work together, they each own an interest in the *whole work*, even if their individual contributions are conceptually separate.

(1) **Intent** – in order to constitute a joint work, the authors must intend at the time of creation to merge the work.

(2) **Examples** –

- (a) Two songwriters work together to write song lyrics and music;
- (b) A songwriter writes lyrics and sends them to a composer, who writes music to accompany the lyrics;
- (c) A recording artist records a song with the help of a producer, who makes decisions regarding the beat, composure, refrain, and sound engineering.

2. **Under Contract** – While copyright law controls when a copyright arises and in whom the copyright will vest, participants in the creation process can contract for ownership of the copyright.

a) **Work Made For Hire** – An employer may own the rights in works created by his employees:

(1) **Within the scope of employment** – the employer owns the copyright.

- (2) **Outside the scope of employment** – the employer owns the copyright if the work was
 - (a) Commissioned (created at the request of someone);
 - (b) Created under a written agreement; and
 - (c) Created for use in one of the following:
 - (i) Motion picture or other audiovisual work
 - (ii) Collective work
 - (iii) Compilation
 - (iv) Translation of a foreign work
 - (v) Supplementary work

b) Examples –

- (1) A songwriter working for a label; while the songwriter may receive credit for the song, the label owns the copyright.
- (2) The lead guitarist of a band may be an “employee” of the lead singer under his contract with the band; his rights to the copyright in any songs written by him or the band are determined by the provisions in the contract.

II. MUSIC COPYRIGHT LITIGATION

A. Registration Requirement – Copyright protection automatically exists from the moment of creation for any work that satisfies the originality and fixation requirements, and a work may be registered with the Copyright Office at any time during the term of copyright protection. However, in the event the copyright in the work is infringed, registration becomes important:

- 1. “[N]o action for infringement of the copyright in any United States work shall be instituted until preregistration or registration of the copyright claim has been made in accordance with this title.” 17 U.S.C. § 411(a).
 - a) Thus, courts generally hold that registration is necessary to confer subject matter jurisdiction.
 - b) Some courts are more lenient with the registration requirement, and may hold that they have subject matter jurisdiction over the dispute so long as the application for copyright registration is filed prior to the filing of a lawsuit. The court might then require the

copyright owner to file an amended complaint or a supplemental pleading alleging compliance with the registration requirement.

2. Generally, a court may award statutory damages and attorneys' fees when the copyright owner registers the copyright:
 - a) Before the infringement; or
 - b) No later than three months after the first publication of the work in the case of infringements that occurs shortly after publication.
3. When registration occurs after the commencement of infringement, no attorneys' fees or statutory damages may be awarded for:
 - a) Any infringement of copyright in an unpublished work commenced before the effective date of its registration; or
 - b) Any infringement of copyright commenced after first publication of the work and before the effective date of its registration, unless such registration is made within three months after the first publication of the work.
4. There are three exceptions to the general rule that attorneys' fees and statutory damages are not available unless the work was registered before the infringement:
 - a) **Section 408(f)** – “Preregistration of Works Being Prepared for Commercial Distribution.”
 - (1) Section 408(f) was added in 2005 as part of the Artists' Rights and Theft Prevention Act, which allows the preregistration of a work that is unpublished but being prepared for public release, and such work is a member of a category of works that have been historically infringed prior to authorized public release.
 - (2) If infringement occurs prior to the registration of the work, statutory damages and attorneys' fees may still be awarded where:
 - (a) The work was preregistered under Section 408(f); and
 - (b) The registration has an effective date not later than the earlier of:

- (i) 3 months after the first publication of the work; or
 - (ii) 1 month after the copyright owner has learned of the infringement.
 - b) **Section 411(b)** – A copyright owner of a work consisting of sounds, images, or both, the first fixation of which is made simultaneously with its transmission may institute an action for infringement before obtaining a registration certificate, either before or after such fixation takes place, if certain requirements are met:
 - (1) The copyright owner serves notice upon the infringer, not less than 48 hours before such fixation, identifying the work and the specific time and source of its first transmission, and declaring an intention to secure copyright in the work; and
 - (2) The copyright owner makes registration for the work, if required by [Section 411(a)], within three months after its first transmission.
 - c) **Section 106A** – The author of a work of visual art:
 - (1) Shall have the right to claim authorship of that work and to prevent the use of his or her name as the author of any work of visual art which he or she did not create;
 - (2) Shall have the right to prevent the use of his or her name as the author of the work in the event of a distortion, mutilation, or other modification that would be prejudicial to his or her honor or reputation; and
 - (3) Shall have the right to prevent any intentional distortion, mutilation, or modification that would be prejudicial to his or her honor or reputation, or any destruction of a work of recognized stature, and any intentional or grossly negligent destruction of that work.
- 5. If a copyright has been transferred, recordation of a document of transfer of copyright is a jurisdictional prerequisite to institution of an infringement action.

- B. Copyright Plaintiffs Generally** – Upon compliance with the Act’s registration requirements, 1976 Copyright Act § 411, the “legal or beneficial owner of an exclusive right under a copyright is entitled ... to institute an action for any infringement of that particular right committed while he or she is the owner of it.” 1976 Copyright Act § 501(b).
1. Non-exclusive licensees have no standing to sue for copyright infringement. *See, e.g., Eden Toys, Inc. v Florelee Undergarment co.*, 526 F. Supp. 1187, 1190 (S.D.N.Y. 1981), *aff’d in part, rev’d in part on other grounds*, 697 F.2d 27 (2d Cir. 1982).
 2. If the author or his assignee transfers one or more of the five exclusive rights in the copyrighted work (to reproduce, adapt, publish, perform and display), the new owner, as the exclusive licensee of that right, will have standing to sue for any infringements of the right that occur while it owns the right.
 3. A copyright assignee is only entitled to bring actions for infringements that were committed while it was copyright owner, while the assignor retains his right to bring actions accruing during its ownership of the right, even if actions are brought subsequent to assignment. *ABKCO Music, Inc. v. Harrisongs Music, Ltd.*, 944 F.2d 971, 980 (2d Cir. 1991). A copyright assignment may include the right to a claim for prior infringement, but that right must be explicitly transferred in writing. *Intimo, Inc. v. Briefly Stated, Inc.*, 948 F. Supp. 315, 317 (S.D.N.Y. 1996).
 4. “Beneficial” owners
 - a) Includes authors who have retained a royalty interest in the exploitation of their works in exchange for assignment of the copyright. *See, e.g., Cortner v. Israel*, 732 F.2d 267, 271 (2d Cir. 1984).
 - (1) Does *not* include one who creates a work for hire, even though his contract with his employer ties his remuneration to the frequency with which his contribution is used, much like a royalty agreement; in part, because an employee cannot be a beneficial owner where the copyright originally vested in his employer. *See, e.g., Warren v. Fox Family Worldwide, Inc.*, 328 F.2d 1136, 1145 (9th Cir. 2003).
 - b) Includes copyright owners who have conveyed legal security title in their copyright to secure a debt. *See Pantone, Inc. v. A.I. Friedman, Inc.*, 294 F. Supp. 545, 551-552 (S.D.N.Y. 1968).

- c) Includes purchasers under a yet unperformed contract for the sale of a copyright. *Historical Publg. Co. v. Jones Bros. Publg. Co.*, 231 F. 638, 645 (3d Cir. 1916). *But cf. Cavallo, Ruffalo & Fagnoli v. Torres*, 1989 Copyright L. Dec. (CCH) ¶ 26, 410 (C.D. Cal. 1989) (holder of an unexercised option to acquire copyright interest is not a beneficial owner for the purpose of standing).

C. Jurisdiction

- 1. **Federal** – Federal district courts have exclusive jurisdiction in actions for infringement of copyrights, actions which require the construction of the Copyright Act, or actions which implicate distinctive policies of the Copyright Act.

a) Infringement Actions

- (1) Many actions for infringement of a copyright arise between strangers (i.e., the parties have no previous license agreement between them) when the defendant **copies** the plaintiff's work and the copied portions amount to **improper appropriation** (see discussion of "The Infringement Lawsuit" below).
- (2) Some actions for infringement arise between two parties to a license agreement, but the defendant's use of the work is not authorized by the license agreement (and the dispute does not involve the interpretation of the agreement):
 - (a) **Use outside the scope of the license agreement** – e.g., plaintiff grants a license to defendant for the rights to copy and distribute an album; defendant infringes if he creates a derivative work of the sound recordings.
 - (b) **Use after license agreement expires** – e.g., plaintiff grants to defendant a license to perform the work publicly for one year; defendant infringes if he performs the work beyond the one-year term.
 - (c) **License agreement breached** – e.g., plaintiff grants to defendant a license to copy and distribute the work, but if the contract is breached, the copyright automatically reverts to plaintiff; if defendant breaches the contract, the copyright

automatically reverts in plaintiff and defendant's exploitation of the album is an infringement, *not* a breach of contract.

- (d) **Mechanical Recording License** – e.g., the copyright owner of a musical composition has entered into a mechanical recording license that, though voluntary, is closely patterned after the Act's compulsory licensing provisions (courts usually treat like an interpretation of the Compulsory Licensing section of the Copyright Act, not like a typical contract).

b) Construction of the Copyright Act

- (1) **Section 204(a)** (governing transfer of copyright ownership) – In order to determine an assignee's rights, court must construe the Copyright Act's recording provisions. *See, e.g., Sweet Music, Inc. v. Melrose Music Corp.*, 189 F. Supp. 655 (S.D. Cal. 1960). *See also Jasper v. Bovina Music, Inc.*, 314 F.3d 42, 47 (2d Cir. 2002) (“In most cases, there will be no doubt that the contract is a section 204(a) writing, and the only substantial issue will be contract interpretation”—a matter for state courts; it “is the rare contract interpretation case that does present a substantial issue as to whether the contract qualifies as a section 204(a) writing.”).
- (2) **Widow's rights** – Court must determine whether an assignor was a “widow,” who is entitled to renewal rights under the statutory provision governing renewal rights. *See Hill & Range Songs, Inc. v. Fred Rose Music, Inc.*, 58 F.R.D. 185, 188 (S.D.N.Y. 1972) (court found that although federal jurisdiction on the basis of contract interpretation was improper, “the fact that it is contingent upon a determination of whether [the assignor was] a ‘widow’ within the meaning of the Copyright Act [was] sufficient to sustain federal jurisdiction.”)
- (3) **Work made for hire** – Court must determine whether a work is a “work made for hire” under the Copyright Act, such that ownership of the copyright vested in the employer rather than in the employee. *See, e.g., Royalty Control Corp. v. Sanco.*, 175 U.S.P.Q. 641, 643 (N.D. Cal. 1972).

(4) **Joint work** – Court must determine whether a party is a coauthor and thus entitled to an accounting for royalties. *Lieberman v. Estate of Chayefsky*, 535 F. Supp. 90 (S.D.N.Y. 1982); *Goodman v. Lee*, 815 F.2d 1030 (5th Cir. 1987).

c) **Implication of Distinctive Policies of the Copyright Act** – e.g., in state law action to protect uncopyrightable subject matter, defendant claimed that in withholding federal copyright protection, Congress also intended to preempt state law protection, and that the case “arises under” the Copyright Act because state protection would conflict with the federal design. *See, e.g., Morseburg v. Balyon*, 201 U.S.P.Q. 518, 519 (C.D. Cal. 1978) (treating issue as one to “construe the Copyright Act” to determine constitutionality of California Resale Royalties Act), *aff’d*, 621 F.2d 972 (9th Cir.), *cert. denied*, 449 U.S. 983 (1980).¹

2. State

a) **Contracts** – The resolution of the action depends on state laws governing contract enforcement and construction.²

b) **Property ownership and transfer** – The resolution of the action depends on state laws governing ownership or transfer of property interests. Examples:

(1) Copyright ownership was secured by fraud. *See, e.g., Cresci v. Music Publishers Holding Corp.*, 210 F. Supp. 253, 256 (S.D.N.Y. 1962) (“The fact that fraud has been committed with respect to a patent or copyright does not confer federal jurisdiction.”).

(2) Transfer of copyright ownership is void for lack of consideration. *See, e.g., Dolch v. United Cal. Bank*, 702 F.2d 178, 181 (9th Cir. 1983).

c) **Mortgages** – Action for foreclosure on a copyright mortgage (even though the Copyright Act explicitly provides for mortgaging of

¹ However, the courts do not agree; some have found that only state jurisdiction existed in similar circumstances. *See, e.g., Warner Bros. Records, Inc. v. R.A. Ridges Distrib. Co.*, 475 F.2d 262 (10th Cir. 1973); *Mercury Record Prods., Inc. v. Economic Consultants, Inc.*, 360 F. Supp. 129 (E.D. Wis. 1973).

² Of course, federal courts may have jurisdiction in these cases on the basis of some other statutory ground such as diversity jurisdiction, 28 U.S.C. § 1332, or pendent jurisdiction, 28 U.S.C. § 1338(b).

copyrights³). *See, e.g., Republic Pictures Corp. v. Security-First Natl. Bank*, 197 F.2d 767 (9th Cir. 1952).

- d) **Conflicting assignments** – Action involving conflicting copyright assignments. *See, e.g., Peay v. Morton*, 571 F. Supp. 108 (M.D. Tenn. 1983).
- e) **Royalties** – Action for royalties. *See, e.g., Bevan v. Columbia Broad. Sys.*, 293 F. Supp. 1366 (S.D.N.Y. 1968); *Hall v. Inner City Records*, 212 U.S.P.Q. 272 (S.D.N.Y. 1980).
- f) **Settlement agreements** – Actions to enforce settlement agreements from the previous resolution of a copyright infringement action. *See, e.g., O'Connor v. Colvin*, 70 F.2d 530, 532 (9th Cir. 1995) (“[w]hen the initial [copyright infringement] action is dismissed, federal jurisdiction terminates”).

3. Federal and State

- a) A vast assortment of cases lie between the clearer-cut categories of exclusively federal jurisdiction cases or state jurisdiction cases listed above.
 - (1) **Judicial economy** – To resolve the issue of jurisdiction in such cases, courts tend to be “guided more by their own views on judicial economy.” 3 GOLDSTEIN § 15.2.1.3, *citing Simon & Schuster, inc. v. Cove Vitamin & Pharm., Inc.*, 211 F. Supp. 72, 74 (S.D.N.Y. 1962) (“[K]eeping in mind the policy consideration that a multiplicity of suits is to be avoided, there might be an argument for preferring the federal action here upon the theory that this is the only forum in which all the rights of all parties can be fully litigated.”); *Harrington v. Mure*, 186 F. Supp. 655, 658 (S.D.N.Y. 1960) (federal jurisdiction denied; “No problem of piecemeal litigation is presented and no other persuasive reason has been shown for departing from the established construction of the extent to which Congress has authorized federal jurisdiction of controversies in which copyright questions are presented.”).

³ Section 28 of the 1909 Copyright Act, as enacted into law in 1947, in force at the time *Republic* was decided, provided that a “[c]opyright secured under this title or previous copyright laws of the United States may be assigned, granted, or mortgaged by an instrument in writing signed by the proprietor of the copyright, or may be bequeathed by will.” In the 1976 Copyright Act, this provision can be found in section 201(d)(1). Also, Section 101 defines “transfer of copyright ownership” to include mortgages.

(2) **Reach of federal jurisdiction** – Additionally, Courts tend to consider their own views on the proper reach of federal jurisdiction more so than express language of section 1338(a). 3 GOLDSTEIN § 15.2.1.3, *citing T.B. Harms Co. v. Eliscu*, 339 F.2d 823, 826-27 (2d Cir. 1964) (“In an endeavor to explain precisely what suits arose under the patent and copyright laws, Mr. Justice Holmes stated that ‘[a] suit arises under the law that creates the cause of action’; in the case sub judice, in jury to a business involving slander of a patent, he said, ‘whether it is a wrong or not depends upon the law of the State where the act is done’ so that the suit did not arise under the patent laws. *American Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257, 260, 36 S. Ct. 585, 586, 60 L. Ed. 987[, 989] (1916)... It has come to be realized that Mr. Justice Holmes’ formula is more useful for inclusion than for the exclusion for which it was intended. Even though the claim is created by state law, a case may ‘arise under’ a law of the United States if the complaint discloses a need for determining the meaning or application of such a law.”), *cert. denied*, 381 U.S. 915 (1965).

(3) **“Primary and controlling purpose”** – Jurisdiction is generally decided according to the nature of the “principal issue,” “primary and controlling purpose,” “gist” or “essence” of the plaintiff’s claim. *See, e.g., Effects Assocs. v. Cohen*, 817 F.2d 72 (9th Cir. 1987); *Topolos v. Caldewey*, 698 F.2d 991, 993 (9th Cir. 1983) (“nature of the principal claim”); *Muse v. Mellin*, 212 F. Supp. 315, 318 (S.D.N.Y. 1962) (“principal issue;” “primary and controlling purpose”), *aff’d*, 339 F.2d 888 (2d Cir. 1964). Accordingly, the courts look to the substance of the claim rather than the formal allegations of the complaint. *Felix Cinematografica v. Penthouse Intl., Ltd.*, 99 F.R.D. 167, 174 (S.D.N.Y. 1983).

4. Supplemental/Pendent Jurisdiction

a) Statutes

(1) “[D]istrict courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trademark laws.” 28 U.S.C. §1338(b).

- (2) “[I]n any civil action of which the district courts have original jurisdiction, the district courts shall have supplemental jurisdiction over all other claims that are so related to claims in the action within such original jurisdiction that they form part of the same case or controversy under Article III of the United States Constitution.” 28 U.S.C. § 1367(a).
- (3) A district court may decline to exercise supplemental jurisdiction if:
 - (a) the claim raises a novel or complex issue of state law,
 - (b) the claim substantially predominates over the claim or claims over which the district court has original jurisdiction,
 - (c) the district court has dismissed all claims over which it has original jurisdiction, or
 - (d) in exceptional circumstances, there are other compelling reasons for declining jurisdiction.
 - (e) 28 U.S.C. § 1367(c).

b) Unfair Competition

- (1) **Traditionally** - so long as they are not preempted by federal law, and so long as “substantial” and “related” requirements of § 1338(b) are met:
 - (a) Passing off
 - (b) Misappropriation
 - (c) Misrepresentation
- (2) **For purposes of federal jurisdiction under section 1338(b)**
 - (a) Commercial misconduct such as conversion. *See, e.g., Lone Ranger Television, Inc. v. Program Radio Corp.*, 740 F.2d 718 (9th Cir. 1984).

- (b) Trade secret appropriation. *See, e.g., General Foods Corp. v. Struthers Scientific & Intl. Corp.*, 287 F. Supp. 271 (D. Del. 1969); *American Foresight, Inc. v. Fine Arts Sterling Silver, Inc.*, 268 F. Supp. 656 (E.D. Pa. 1967).
 - (c) Violation of confidence. *See, e.g., Telechron, Inc. v. Parissi*, 197 F.2d 757 (2d Cir. 1952).
 - (d) Breach of contract, including breach of implied contracts to pay for submitted ideas.
- c) **Federal jurisdiction under *Gibbs*** - Even if the state law claim does not fall within the scope of “unfair competition” outlined above, nonstatutory pendent jurisdiction may still be available under the rule of *United Mine Workers v. Gibbs*, 383 U.S. 715 (1966). *See, e.g., Lone Ranger Television, Inc. v. Program Radio Corp.*, 740 F.2d 718, 724 (9th Cir. 1984) (“Thus, either the conversion claim lies within the ambit of ‘unfair competition,’ but 28 U.S.C. § 1338(b) accommodates *Gibbs*’s allowance for application of state law between nondiverse parties, or the conversion claim lies outside the ambit of ‘unfair competition,’ but 28 U.S.C. § 1338(b) does not limit the application of nonstatutory pendent jurisdiction to such claims under *Gibbs*. Either way, section 1338(b) simply indicates we should exercise our discretion in favor of deciding pendent unfair competition claims.”).
- d) **Substantial**
- (1) Generally, courts will decline jurisdiction under section 1338(b) over a state claim because of a federal claim’s insubstantiality only when the federal claim failed on a motion to dismiss or for summary judgment (i.e., before trial). *See, e.g., Scholtz Homes, Inc v. Maddox*, 379 F.2d 84, 87 (6th Cir. 1967); *T.B. Harms Co. v. Eliscu*, 339 F.2d 823, 829 (2d Cir. 1964); *G.P. Putnam’s Sons v. Lancer Books, Inc.*, 251 F. Supp. 210, 214 (S.D.N.Y. 1966).
 - (2) However, “it is entirely proper for a federal court to proceed with the determination of the state claim when, in the course of trial, and after the expenditure of considerable judicial effort, the supporting federal claim is found to be wanting in merit.” *Walters v. Shari Music Publg. Corp.*, 193 F. Supp. 307, 308 (S.D.N.Y. 1961).

- e) **Related** – For 1338(b) federal jurisdiction to exist over state claims, the state and federal claims only need to “derive from a common nucleus of operative fact. But if, considered without regard to their federal or state character, a plaintiff’s claims are such that he would ordinarily be expected to try them all in one judicial proceeding, then, assuming substantiality of the federal issues, there is *power* in federal courts to hear the whole.” *United Mine Workers v. Gibbs*, 383 U.S. 715, 725 (1966).⁴

D. Remedies

1. Temporary Relief –

a) Temporary Restraining Order –

- (1) *Ex parte* order may be given if a copyright owner shows that it will suffer irreparable harm from the delay entailed in giving notice to the infringer and participating in an adversary hearing;
- (2) When granting a TRO, courts rarely issue an explanatory opinion; consequently, there is very little case law indicating the degree of irreparable harm that a copyright infringement plaintiff must demonstrate to obtain an order.

b) Temporary (Preliminary) Injunction –

- (1) Three factors (in Second and Ninth Circuits):
 - (a) Whether the copyright owner is likely to succeed on the merits (most important factor);
 - (b) Whether the injury is irreparable; and
 - (c) Whether the balance of hardships tips in the copyright owner’s favor.

⁴ Although *Gibbs* involved pendent jurisdiction outside the framework of section 1338(b), courts have followed its approach in interpreting section 1338(b). See, e.g., *Lone Ranger Television, Inc. v. Program Radio Corp.*, 740 F.2d 718, 724 (9th Cir. 1984). *Gibbs* is also available as an independent source of pendent jurisdiction over state claims that fail to meet one or more of section 1338(b)’s requirements. *Id.*

c) Impoundment –

- (1) The court may order the impounding, on such terms as it may deem reasonable, of all copies or phonorecords claimed to have been made or used in violation of the copyright owner’s exclusive rights, and all the ... masters, tapes ... and other articles by means of which such copies or phonorecords may be reproduced.”
- (2) Second and Ninth Circuit standard – the copyright owner must demonstrate that it needs the impoundment order to protect its rights pending trial (e.g., where a defendant has previously disregarded a temporary injunction or otherwise engaged in willful misconduct).

2. Permanent Relief –

a) Final Injunction – Plaintiff must demonstrate:

- (1) That it has suffered an irreparable injury;
- (2) That remedies available at law, such as monetary damages, are inadequate to compensate for that injury;
- (3) That, considering the balance of hardships between the plaintiff and the defendant, a remedy in equity is warranted;
- (4) That the public interest would not be disserved by a permanent injunction.

b) Destruction – Lies within the court’s discretion; generally requires the court to balance the traditional factors for equitable relief.

3. Declaratory Judgments –

a) Two threshold requirements:

- (1) That there is an actual controversy – “there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.”
- (2) That the dispute is appropriate for declaratory resolution; most common test sets out two principal criteria:

- (a) When the judgment will serve a useful purpose in clarifying and settling the legal relations in issue;
 - (b) When it will terminate and afford relief from the uncertainty, insecurity, and controversy giving rise to the proceeding.
- b) Potential copyright infringement defendant may seek a judicial declaration that
 - (1) The copyright in issue is invalid.
 - (2) That if the copyright is valid, the use in issue does not infringe.
- c) Putative copyright owner may seek a declaration that an adverse claimant has no ownership interest.
- d) An unsuccessful applicant for a copyright registration may seek a declaration of registrability and an order directing the Register of Copyrights to register the work.

4. Damages

- a) **Types of Infringement** – may play a role in determining the damages award:
 - (1) Willful
 - (2) Innocent
 - (3) Subconscious action
- b) **Statute** – “A plaintiff may recover damages that he actually suffers from the lost sales or licensing opportunity, and additional profits not taken into account.” 17 U.S.C. § 504(b).
- c) **Measure of Damages** – either
 - (1) **Statutory Damages**
 - (a) Negligent infringement – not less than \$750, not more than \$30,000

- (b) Willful infringement – not more than \$150,000 per infringement.
 - (c) Only available if the work is properly registered with the Copyright Office.
- (2) **Actual damages and any additional profits:**
- (a) **Actual Damages**
 - (i) Measured by experts by estimating earnings lost from foreign product sales or licensing opportunities. *See On Davis v. The Gap, Inc.*, 246 F.3d 152 (2d Cir. 2001).
 - (ii) Licensing opportunities are evaluated according to market value, which is “what a willing buyer would have been reasonably required to pay to a willing seller for plaintiff’s work.” *Frank Music Corp. v. Metro-Goldwyn-Mayer*, 886 F.2d 1548 (9th Cir. 1989).
 - (iii) Establishing the market value requires identification of reasonable substitutes or goods that are comparable to the infringed property. *Frank Music Corp. v. Metro-Goldwyn-Mayer*, 886 F.2d 1548 (9th Cir. 1989).
 - (iv) Reasonable license amounts can be available from a number of online sources that gather data on licensing from public financial records, news releases, and other articles and references. *See, e.g., RoyaltyStat.com* (RoyaltyStat, LLC); [Intellectual Property Transaction Database](#) (The Financial Valuation Group); [Intellectual Property Research Associates Database](#) (Intellectual Property Research Associates); [Licensing Royalty Rates](#) (Gregory J. Battersby and Charles W. Grimes, Aspen Publishers, Inc.).

- (b) **Unjust enrichment** – i.e., profits that the infringer earned from sales or licensing of the composition or recording. 17 U.S.C. § 501(b).
- (i) Plaintiff need only prove infringer’s gross revenues;
 - (ii) Defendant must then prove deductible expenses and the presence of other contributing factors. 17 U.S.C. § 504(b):
 - (a) Production costs (e.g., costs related to distribution, manufacturing, packaging, artwork, recording, royalties, and promotion and marketing). *Boyd Jarvis v. A&M Records, et al.*, 827 F. Supp. 282, 295 (N.J. 1993).
 - (b) Unless the infringement was willful, a defendant may also deduct from gross revenues a share of company overhead as well as income taxes. *Allen-Myland v. International Business Machines*, 770 F. Supp. 1014, 1025 (E.D. Pa. 1991); *L.P. Larson, Jr. Co. v. Wm. Wrigley, Jr. Co.*, 227 U.S. 97, 48 S. Ct. 449, 72 L. Ed. 800 (1928).
 - (iii) When a defendant infringes a copyrighted melody but replaces the words with his own, courts have sometimes granted full awards when infringing and noninfringing components were found to be inextricably intertwined. *Roulo v. Russ Berrie & Co.*, 886 F.2d 931 (7th Cir. 1989), *cert. denied*, 110 S. Ct. 1124 (1990); *Harris v. Miller*, 57 U.S.P.Q. 103 (S.D.N.Y. 1943).
- (3) Future profits may also be recoverable, but only if credible and non-speculative. *Mary Ellen Enterprises, Inc. v. Camex, Inc.*, 68 F. 1065, 1070 (8th Cir. 1995); *Terrence Burns v. Imagine Films Entertainment, Inc.*, No. 92-CV02435 (W.D.N.Y. 2001), *citing Frank Music Corp. v. Metro-Goldwyn-Mayer*, 886 F.2d 1548, 1550 (9th Cir. 1989).

- (4) Other factors considered in measuring damages:
- (a) Mechanical Licenses – license for the rights to reproduce, make derivative works, and distribute copies; estimated by applying a flat fee to the number of infringing copies sold
 - (i) Fee determined based on statutory license fees under 37 C.F.R. § 255.3 (currently, the larger of 9.1 cents or 1.75 cents per minute of playing time or fraction thereof); or
 - (ii) Market benchmarks for related compositions.
 - (b) Synchronization Licenses – license to use musical composition in a piece of work with visual images (i.e., film, video, television program) –
 - (i) Motion Pictures – licensing fee usually falls between \$15,000 and \$60,000; takes into account a number of factors:
 - (a) How the song is used (e.g., sung by a character in the film background instrumental, vocal performance of a recording from a jukebox, etc.);
 - (b) The overall budget for the film and the music budget;
 - (c) The stature of the song being used (old standard, current hit, new composition);
 - (d) The length of time the song is used in the film (e.g., 15 seconds, two minutes, etc.);
 - (e) Whether there is more than one use of the song in the film;
 - (f) Whether the song is used in the opening or end credits;
 - (g) Whether there is a lyric change;
 - (h) The term of the license (usually, the life of the copyright);
 - (i) The territory of the license (usually, the world);
 - (j) Whether there is a guarantee that the song will be used on a soundtrack album or released as a single.

- (ii) <http://www.ascap.com/musicbiz/money-pictures.html> (December 17, 2008).
- (iii) Cable, broadcast, and webcast – includes made-for-television movies, television series, music videos, commercials, and promotions.
 - (a) Fees depend on the length of use: \$400 (1-30 seconds); \$450 (31-60 seconds); \$550 (61-120 seconds); and \$650 (more than 120 seconds).
 - (b) Similar to synch licenses for movies, the fee also takes into account factors such as how the song is used, whether it is used for commercial purposes, and the popularity of the song.
- (c) Public Performance – includes live uses (e.g., concerts, dramas, and musical productions) and transmitted uses (e.g., broadcast radio, television, cable/satellite, subscription services, satellite radio, webcast radio, and internet services). General fee ranges are as follows:
 - (i) Radio: 6-12 cents/use
 - (ii) Feature Use Primetime, Local TV: \$1.50/use
 - (iii) Feature Use Primetime, Network TV: \$5.75/station
 - (iv) Background Use, Primetime, Local TV: \$0.38/minute
 - (v) Background Use, Primetime, Network TV: \$0.55/minute
 - (vi) Theme Song, Local TV: \$0.80
 - (vii) Theme Song, Network TV: \$2.50/station

III. REPRESENTATIVE DISPUTES IN MUSIC COPYRIGHT LITIGATION

- A. **Entertainment Company v. Entertainment Company** – *DC3 Entertainment, LLC v. John Galt Entertainment, Inc.*, 412 F. Supp. 2d 1125 (W.D. Wash. 2006) –

1. DC3, a Washington entertainment company, sued California entertainment company John Galt Entertainment (“JGE”) over the rights in production and recording agreements for a young songwriter and recording artist, Brian Judah.
2. JGE assigned to DC3 its rights in a production agreement with Mr. Judah, and DC3 subsequently entered a recording and production agreement with Mr. Judah.
3. The JGE principals became co-presidents of DC3 and agreed to convey their songwriting copyrights and publishing interests in the Judah recordings to DC3.
4. The relationship between DC3 and JGE principals ended and JGE threatened to block DC3’s completion of the Judah album.
5. DC3 filed a complaint in federal court seeking a declaratory judgment and injunctive relief and claiming breach of contract, breach of the covenant of good faith and fair dealing, and breach of fiduciary duty.
6. JGE asserted counterclaims and third-party claims for breach of contract, an accounting and establishment of constructive trust for alleged royalties due on the Judah album, among other things.

B. Artist v. Label –

1. *George Clinton v. Capitol Records, Inc.*, No. CV 06-7484 (C.D. Cal., filed November 22, 2006) –
 - a) Funk musician George Clinton initiated litigation against record label Capitol Records for breach of fiduciary duty, among other claims, for failing to fulfill its obligations to collect and compute artist royalties, render statements, and make full payment of royalties due to Mr. Clinton, and for further failing to account for or pay royalties to Mr. Clinton after the label was provided with an audit report detailing the label’s failures to render complete and accurate statements and royalty payments as required under the parties’ multiple recording, licensing, and other agreements.
 - b) In ruling on a motion to dismiss Mr. Clinton’s claims of breach of contract and breach of fiduciary duty, the court held that the label could be held liable for breach of contract, but it dismissed with leave to amend Mr. Clinton’s claim of breach of fiduciary duty, in accordance with the general rule in California that “standard arms’

length agreements between artists and record/production companies for the provision of creative services in exchange for royalties do not give rise to a fiduciary relationship.” *Citing Cusano v. Klein*, 280 F. Supp. 2d 1035, 1040 (C.D. Cal. 2003).

c) Mr. Clinton amended his complaint to revise the claim of breach of fiduciary duty, and the court denied a second motion to dismiss the claim.

(1) In the amended claim for breach of fiduciary duty, Mr. Clinton alleged that the parties established a business relationship akin to a joint venture or joint enterprise, requiring a showing of (1) a joint interest in a common business; (2) with an understanding to share profits and losses; and (3) a right to joint control.

(2) The court held that an allegation that the parties’ single business enterprise—involving the creation, production, distribution, and marketing of Mr. Clinton’s sound recordings—may be sufficient to show the first element.

(3) The court held that the parties’ agreement to share royalties and the implicit agreement to share losses (capital contributions on the part of the label, and the value of his efforts on the part of Mr. Clinton) may fulfill the second element.

(4) The parties’ alleged agreement to “consult with one another and mutually agree upon” issues related to the business enterprise may be sufficient to satisfy the requirement of “joint control.”

(5) Thus, the court refused to grant the label’s motion to dismiss the claim of breach of fiduciary duty; the parties later settled the suit.

2. *George Clinton v. Capitol Records, Inc.*, No. CV 06-8106 (C.D. Cal., filed December 19, 2006) –

a) Funk musician George Clinton sued record label Capitol Records for copyright infringement.

b) Beginning in or around 1982, a third party falsely claimed to have obtained ownership of four masters created by Mr. Clinton: “Hardcore Jollies,” “The Electric Spanking of War Babies,”

“Uncle Jam Wants You,” and “One Nation Under a Groove,” collectively, “the Funkadelic Masters.”

- c) In 1993, the third party who fraudulently claimed ownership granted to the defendant label an exclusive license to exploit the Funkadelic Masters, without Mr. Clinton’s authorization. The label released albums embodying the Funkadelic Masters and also granted to others synchronization, sampling, and compilation licenses.
- d) In another lawsuit in 2005, in which the sole issue was the determination of the rightful owner of the Funkadelic Masters, the court determined that Mr. Clinton was the rightful owner since 1993.
- e) In 2006, despite the significant collateral estoppel and statute of limitations issues, the court in this case granted Mr. Clinton’s summary judgment motion against Capitol Records as to liability for copyright infringement.

C. Band Member Disputes – *Courtney Love Cobain, et al. v. David Grohl, et al.*, No. 01-2-13059-5SEA (Wash. Superior Court, King County, filed May 9, 2001) –

- 1. Widow of the late Kurt Cobain, lead singer of Nirvana, filed a suit against Cobain’s former band mates, the group’s record label, and the LLC of which Courtney Love and the band members were members and managers.
- 2. The controversy involved control of a previously-unreleased song written by Kurt Cobain entitled, “You Know You’re Right.”
- 3. Additionally, the case involved claims of breach of fiduciary duty, oppression of a minority shareholder, breach of the duty of good faith and fair dealing, and breach of contract, among others.
- 4. The ultimate resolution of the case turned on whether Nirvana was a partnership.

D. Ownership Disputes –

- 1. *James A. Hendrix v. Leo Branton, Jr., et al.*, No. C93-537Z (W.D. Wash. filed April 16, 1993)
 - a) Father of Jimi Hendrix, Al Hendrix, filed suit against lawyers, accountants, professional managers, music executives and various

national, international, and offshore corporations, partnerships and trusts.

- b) The controversy involved control of the Hendrix legacy, which Al Hendrix had allegedly sold in 1974 for an income stream of \$50,000 per year.
- c) Claims of accounting for royalties, copyright infringement, infringement of rights of publicity, unfair competition, conversion, breach of fiduciary duty, fraud, negligent misrepresentation, securities law violations, violation of RICO, conspiracy to defraud, and others.

E. Artist v. Artist – Coldplay Copyright Infringement Allegation, Explanation of Impossibility

- 1. In June 2008, New York indie group Creaky Boards accused Coldplay of copying the melody of a Creaky Boards song for Coldplay’s latest hit “Viva La Vida.” The group also recalled seeing Coldplay’s lead singer Chris Martin at a music festival where Creaky Boards were performing in 2007.
- 2. Coldplay denied the allegations, stating that the song “Viva La Vida” was recorded and demoed in early 2007, before Creaky Boards performed at the music festival at which Creaky Boards alleges Mr. Martin saw the performance, and also that according to Mr. Martin’s diary, he was at a studio in London on the day of that performance.
- 3. No lawsuit has been filed as of January 9, 2009.

F. Subconscious Copying – *Bright Tunes Music Corp. v. Harrisongs Music, Ltd.*, 420 F. Supp. 177 (1976)

- 1. George Harrison of The Beatles was sued for copyright infringement by the owner of the copyright in “He’s So Fine,” composed by Ronald Mack and recorded by The Chiffons in the early 1960’s.
- 2. Harrison claimed that he did not knowingly appropriate the melody of “He’s So Fine” when he wrote the song “My Sweet Lord,” released in 1970.
- 3. The court found that Harrison “subconsciously” copied the song and was liable for copyright infringement, even if he had no conscious recollection of the song.

G. Peer-to-Peer File Sharing –

1. *BMG Music v. Gonzalez*, 430 F.3d 888 (7th Cir. 2005)

- a) A woman was sued for copyright infringement for downloading 30 songs using peer-to-peer file sharing software; she argued that her activity was protected by the fair use doctrine because she was downloading the songs to determine if she wanted to later buy them.
- b) The court rejected her “sampling” defense, reasoning in part that numerous sites, such as iTunes for one, permit listeners to sample and examine portions of the songs without downloading.

2. Recording Industry Association of America (RIAA) cases

- a) *Virgin Records America, Inc., et al. v. Jammie Thomas*, No. 06-1487 (D. Minn., filed April 19, 2006).
 - (1) Jammie Thomas, a Minnesota woman, made 1,702 songs available through Kazaa, a peer-to-peer network; 24 were at issue in the case.
 - (2) The jury instructions defined “infringement” in part as “making copyrighted sound recordings available” without authorization (i.e., no proof of actual transfer was required, so long as the songs could have been downloaded by other users).
 - (3) Plaintiffs (RIAA) elected statutory damages, which range from \$750 to \$30,000 per work, or \$150,000 per work if the infringement was willful (for 24 songs, the total damages could have been between \$18,000 and \$720,000, or up to \$3.6 million for willful infringement).
 - (4) The jury selected a statutory damages rate of \$9,250 per song and returned a \$222,000 verdict against Ms. Thomas for copyright infringement.⁵

⁵ On September 24, 2008, the U.S. District Court for the District of Minnesota vacated the judgment and the verdict and granted a new trial because the court found that liability for the violation of the exclusive distribution right under the Copyright Act requires actual dissemination of the sound recordings (i.e., the challenged jury instruction—that instructed the jury that “making available” was sufficient to show infringement—was erroneous and substantially prejudiced the defendant’s rights). On December 23, 2008, the court denied plaintiffs’ motion to certify the September 24, 2008 order for interlocutory appeal. The case is scheduled for a jury trial on March 9, 2009.

- b) Many RIAA cases against consumers have involved college students and parents of file-sharing children.
- c) Many cases have been settled through “early settlement offers” passed on to file-sharers through their university or ISP (before their identities are disclosed), for far less than the verdict in the *Thomas* case (usually in the range of \$3,000).
- d) RIAA’s new enforcement strategy:
 - (1) RIAA has announced it will discontinue prosecuting claims of copyright infringement against most peer-to-peer users (some speculate it will continue to pursue cases against the most egregious offenders);
 - (2) Instead, RIAA is forging partnerships with internet service providers, who have in turn agreed to “throttle” (reduce or eliminate service to) chronic file-sharers.

H. Sampling Cases –

1. Sampling: the process of taking one part of a pre-existing sound recording, and reusing it in the creation of a new sound recording. For example, when a hip hop artist uses a guitar solo from a Beatles song as part of a chorus for a modern hip hop song, he has sampled the Beatles song.
2. *Grand Upright Music, Ltd. v. Warner Bros. Records, Inc.*, 780 F. Supp. 182 (S.D.N.Y. 1991)
 - a) Hip hop artist Biz Markie violated the copyright of Raymond “Gilbert” O’Sullivan’s “Alone Again (Naturally),” which Markie sampled in his song “Along Again” on the album *I Need A Haircut*.
 - b) Markie looped ten seconds of the original song to form the background of a rap song and used the title as a chorus.
 - c) The court concluded that sampling was the same as theft and constituted copyright infringement; the parties settled out-of-court thereafter and the song was removed from further pressings of the album.

3. Possible defenses:
 - a) The sample is an independent fixation of the music (i.e., the “sample” was a re-recording of the music composition—requiring only a mechanical license and statutory royalty rates—and not a use of the master sound recording of the song).
 - b) The sample was small enough to be *de minimus*—the portion of the song appropriated is so small that the average audience would not recognize it.
 - c) The original artist does not “own” the sampled section because it is so small (i.e., no artist can own a copyright in a single guitar note).
 - d) The digital sampling constitutes fair use of the original.
4. Many cases settle out of court (e.g., in “Ice Ice Baby,” Vanilla Ice sampled the bass line and chords from the beginning of “Under Pressure” by Queen and David Bowie; when threatened with a copyright infringement suit, the parties settled before an action was even filed).
5. Established artists now commonly “clear” the sample with the owner of the copyright before releasing the new work.

I. The Infringement Lawsuit

1. **Statute** – “Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 121 or of the author as provided in section 106A(a), or who imports copies or phonorecords into the United States in violation of section 602, is an infringer of the copyright or right of the author, as the case may be.” 17 U.S.C. § 501(a).
2. **Elements** – to prevail, a plaintiff must prove that he owns the right or rights in issue and that the defendants’ conduct infringes one or more of these rights, by showing:
 - a) That the defendant **copied** from the plaintiff’s work; and
 - b) That, taken together, the elements copied amount to an **improper appropriation**.
 - c) *Arnstein v. Porter*, 154 F.2d 464 (2d Cir. 1946).

3. Copied Plaintiff's Work –

a) Two prongs:

- (1) Directly or by inference that the defendant mechanically copied the plaintiff's work, such as by photocopying; or
- (2) That the defendant had the plaintiff's work in mind when he composed the allegedly infringing work.

b) Strict liability – a defendant cannot escape liability by showing that he copied innocently, with no knowledge that the appropriated expression was protected by copyright. *See, e.g., De Acosta v. Brown*, 146 F.2d 408, 412 (2d Cir. 1944), *cert. denied*, 325 U.S. 862.

c) “Subconscious” copying –

- (1) Defendant is unaware that the substance of his work came from the plaintiff's work rather than from his own imagination. *See, e.g., Three Boys Music Corp. v. Bolton*, 212 F.3d 477, 484 (9th Cir. 2000); *ABKCO Music, Inc. v. Harrisongs Music, Ltd.*, 722 F.2d 988, 998 (2d Cir. 1983) (“when a defendant's work is copied from the plaintiff's, but the defendant in good faith has forgotten that the plaintiff's work was the source of his own, such ‘innocent copying’ can nevertheless constitute infringement”); *Fred Fisher, Inc. v. Dillingham*, 298 F. 145, 148 (2d Cir. 1924) (“Once it appears that another has in fact used the copyright as the source of his production, he has invaded the author's rights. It is no excuse that in so doing his memory has played him a trick.”).
- (2) Not a defense to copyright infringement
- (3) Claims of subconscious copying often arise in musical infringement cases where the copyrighted elements are so often brief and easily remembered.

4. Improper Appropriation –

a) To show improper appropriation the plaintiff must meet two tests:

- (1) That at least some of the elements the defendant copied constituted **protected expression**; and

- (2) That **audience will perceive substantial similarities** between the defendant’s work and the plaintiff’s protected expression.
- b) Protected Expression – the plaintiff may have to dissect the works— separating protected, original expression from unprotectable ideas— to show that the defendant took more than just unprotectable elements.
- c) Audience Reaction – the plaintiff may be required to show that having read, seen or heard the defendant’s work, members of the intended audience would be disinclined to read, see or hear the plaintiff’s work.
- d) Ninth Circuit test – The Ninth Circuit has relabeled the protected expression and audience reaction tests as the “objective” and “subjective” tests.
- e) Second Circuit test – in response to the challenges presented by software copyright infringement cases, the Second Circuit formulated the Abstraction-Filtration-Comparison Test.

5. **Proof of Infringement**

- a) Because direct evidence of copyright is rarely available, courts have universally allowed copyright owners to prove copying through circumstantial evidence:
 - (1) Defendant’s access to the work
 - (a) A particular chain of events is established between the plaintiff’s work and the defendant’s access to that work (such as through dealings with a record company); or
 - (b) The plaintiff’s work has been widely disseminated.
 - (c) *Three Boys Music Corp. v. Bolton*, 212 F.3d 477, 482 (9th Cir. 2000).
 - (2) Similarities – various levels of similarity may support an inference of infringement:

- (a) Defendant’s work tracks the plaintiff’s in every detail (virtually conclusive evidence); or
 - (b) The two works are of “striking similarity,” as when “a single brief phrase, contained in both pieces, was so idiosyncratic in its treatment as to preclude coincidence” (virtually conclusive evidence), *Heim v. Universal Pictures Co.*, 154 F.2d 480, 488 (2d Cir. 1946); or
 - (c) Similarities that lie beneath the surface of the two works’ expression—in the case of musical compositions, similar rhythm, harmony and musical phrases (does not alone prove infringement, but may support a finding when evidence of access is shown).
- b)** Similarities – do not necessarily imply infringement, but can be used as evidence of both the elements of (1) copying and (2) improper appropriation.
- (1) Exact copy – if the infringing song matches note-for-note and uses the same rhythm, harmony, and tone, both elements may be inferred:
 - (a) Copying—to the extent the plaintiff’s original contains protected content, the defendant has borrowed it.
 - (b) Improper Appropriation—if the plaintiff’s work has any audience, the defendant has taken it.
 - (2) Substantially similar – if the two works are not identical, the similarities may be sufficient to support an inference of one element but not the other, as in these examples:
 - (a) Defendant’s 5-minute long song contains a few lines that are also contained in the Plaintiff’s song—there has been copying, but the amount borrowed may not be enough to support a finding of improper appropriation.
 - (b) Defendant’s work contains the same elements of plot, incident, character and background to suggest

appropriation, but have none of the telltale surface details that suggest copying.

- (3) Aesthetic Miscues – the absence from a group of musical notes of a phrasing mark required for the notes to be musically correct will support a finding of copying (although, not without other evidence). *Consolidated Music Publishers, Inc. v. Ashley Publ'g., Inc.*, 197 F. Supp. 17, 19 (S.D.N.Y. 1961).

6. Rebutting the Inference of Infringement

- a) If the plaintiff offers sufficient proof of access and similarity to support an inference of copying, the defendant must, to prevail, introduce evidence to rebut the inference. *Keeler Brass Co. v. Continental Brass Co.*, 862 F.2d 1063, 1065 (4th Cir. 1988).
- b) Attack Access and Similarity
 - (1) Rebut the inference of access by showing that the work was not generally disseminated through media to which the defendant was exposed.
 - (2) Independent Creation – a defendant may prevail when he can provide convincing evidence that he created his work independently. *Selle v. Gibb*, 741 F.2d 896 (7th Cir. 1984). *But see Ty, Inc. v. GMA Accessories, Inc.*, 132 F.3d 1167, 1169 (7th Cir. 1997) (“The more a work is both like an already copyrighted work *and*—for this is equally important—unlike anything that is in the public domain, the less likely it is to be an independent creation.”).
 - (3) Third party work – A defendant can rebut the inferential force of similarities between his work and the plaintiff’s by introducing a third work that possesses the same similarities and demonstrating that it was this work, not the plaintiff’s, that the defendant copied in making its own. *See, e.g., Keeler Brass Co. v. Continental Brass Co.*, 862 F.2d 1063 (4th Cir. 1988).
 - (4) First Creator – An accused infringer can conclusively rebut an inference of copying by showing that it completed its work before the plaintiff commenced his. *See, e.g., Sheets v. Twentieth Century-Fox Film Corp.*, 33 F. Supp. 389 (D.D.C. 1940).

7. **Defenses** – in addition to a denial that the defendant did not unlawfully copy plaintiff’s work, the following defenses may also be available to a copyright infringement defendant:
- a) **Copyrightability** – if a defendant proves that the plaintiff’s work cannot meet the requirements for copyright protection, he will not be held liable for infringement. *See, e.g., Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340 (1991) (holding that “information” is not copyrightable).
 - (1) In the music industry, this issue may arise when an artist has obtained a copyright registration for a song derived from or substantially similar to a traditional hymn that is in the public domain (e.g., a hip-hop artist records a 300-year-old spiritual psalm).
 - (a) An alleged infringer of the song may be able to offer sufficient evidence such that the court finds the copyright in the work to be invalid because the work is not original to the plaintiff.
 - (b) Similarly, if the defendant can show that he copied the public domain work and not the plaintiff’s work in creating his own, the court may decline to hold the defendant liable for copying plaintiff’s work. *See, e.g., Keeler Brass Co. v. Continental Brass Co.*, 862 F.2d 1063 (4th Cir. 1988).
 - b) **Statute of Limitations**
 - (1) Three-year limitations period for actions under the Copyright Act. 17 U.S.C. § 507(b).
 - (2) The limitations period begins to run when the plaintiff knows or should have known of the infringement; in the case of continuous infringement, “an action may be brought for all acts that accrued within the three years preceding the filing of the suit.” *See, e.g., Kourtis v. Cameron*, 419 F.3d 989, 999 (9th Cir. 2005), *abrogated on other grounds, Taylor v. Sturgell*, 128 S. Ct. 2161 (2008).

(3) Tolling

- (a) In deciding whether the statute should be tolled, courts will balance the degree to which the copyright owner has justifiably ignorant of the infringing conduct against the degree to which the defendant justifiably relied on the plaintiff's failure to sue within the limitations period.
- (b) Defendants' fraudulent concealment of infringement will toll the statute. *See, e.g., Taylor v. Meirick*, 712 F.2d 1112 (7th Cir. 1983). Defendant must have used fraudulent means to keep the plaintiff unaware of his cause of action, and also the plaintiff must have in fact been ignorant of the existence of his cause of action.

c) **Abandonment** – courts will hold that a copyright has been abandoned, and that an infringer has a complete defense, any time the copyright owner commits “some overt act indicative of an intent to surrender rights in the copyrighted work and to allow the public to copy it.” *Rohauer v. Killiam Shows, Inc.*, 379 F. Supp. 723, 730 (S.D.N.Y. 1974), *rev'd on other grounds*, 551 F.2d 484 (2d Cir.), *cert. denied*, 431 U.S. 949 (1977).

- (1) Statement appearing on the work that the work is free to be reproduced performed or displayed by anyone who wishes to make these uses. *See, e.g., Hadady Corp. v. Dean Witter Reynolds, Inc.*, 739 F. Supp. 1392, 1398-99 (C.D. Cal. 1990).
- (2) Copyright owner's destruction of the only copy of the copyrighted work. *Pacific & S. Co. v. Duncan*, 572 F. Supp. 1186, 1196 (N.D. Ga. 1983).
- (3) Acts of omission will not constitute evidence of the intent required for abandonment.
 - (a) Failure to prosecute copyright infringements. *See, e.g., Hampton v. Paramount Pictures Corp.*, 279 F.2d 100, 104 (9th Cir.), *cert. denied*, 364 U.S. 882 (1960).
 - (b) Failure to affirmatively claim copyright in material orally communicated to others. *Marvin Worth*

Prods. v. Superior Film Corp., 319 F. Supp. 1269, 1272-1273 (S.D.N.Y. 1970).

- (c) Failure to renew the copyright in motion pictures derived from the copyrighted work. *Filmvideo Releasing Corp. v. Hastings*, 426 F. Supp. 690, 695 (S.D.N.Y. 1981).
- (d) Failure to promote the copyrighted work. *Dodd, Mead & Co. v. Lilienthal*, 514 F. Supp. 105, 108 (S.D.N.Y. 1981).

d) **Innocent Intent** – Generally, innocence is no defense to copyright infringement:

- (1) Under 1909 Act, copyright owners were required to provide notice on the copyrighted work; innocent infringement was a defense if the infringer relied on the absence of copyright notice on a publicly distributed copy or phonorecord of the work.
- (2) Under the Berne Implementation Amendments to the 1976 Copyright Act, copyright notice on a work is no longer required; however, if an innocent infringer can show that it was misled by, and relied upon, the omission of a copyright notice from an authorized copy or phonorecord that was publicly distributed with the copyright owner's authority before the effective date of the Berne Implementation Amendments, March 1, 1989, he will not be liable for actual or statutory damages for any infringing acts committed before it received actual notice of the work's registration.

e) **Misuse and Unclean Hands** – A copyright infringer may invoke the defense of copyright misuse in cases where the copyright owner has violated a specific legal norm in obtaining, licensing or enforcing its copyright.

f) **Fair Use** – A privilege in others than the copyright owner to use the copyrighted material in a reasonable manner without his consent, notwithstanding the monopoly granted to the owner by the copyright.

- (1) Courts weight four non-exclusive factors:

- (a) The purpose and character of the use, including whether such use is of a commercial nature or is for non-profit educational purposes;
 - (b) The nature of the copyrighted work;
 - (c) The amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
 - (d) The effect of the use upon the potential market for or value of the copyrighted work.
- (2) Very fact-dependent doctrine.
 - (3) Example of fair use – “Weird Al” Yankovic’s parodies, such as “White and Nerdy,” a parody of “Ridin’” by Chamillionaire and Krayzie Bone.

IV. Overview of Copyright Acts

A. 1909 Copyright Act – Although this version of the Copyright Act has been superseded by the 1976 Act and subsequent amendments, this Act still applies to works created before the 1976 Act went into effect in 1978.

B. 1976 Copyright Act

1. Major Changes since 1909 Act

- a) Provides protection for unpublished works through registration and deposit.
- b) Allowed owner to cure omission of or major error in copyright notice (the legislation enacting the Berne Convention later abolished the notice requirement, see below).
- c) Extended the length of protection to the life of the author plus 50 years, or 75 years for a work of corporate authorship (the length of protection has been extended further; see below)
- d) Abolished the renewal requirement.
- e) Provides for a fine for failure to submit a deposit rather than forfeiture of the copyright.

- C. Berne Convention Implementation Act of 1988** – Substantially conformed United States’ copyright law with the requirements of the international Berne Convention; most significant changes:
1. Abolished general requirement of registration for copyright protection; and
 2. Eliminated mandatory copyright notice requirements.
- D. Copyright Term Extension Act of 1998** (“Sonny Bono Act”) – extended the term of copyright protection to the life of the author plus 70 years, or 120 years for works of corporate authorship.
- E. Digital Millennium Copyright Act (DMCA)** (signed into law on October 28, 1998) – Amended Title 17 of the United States Code to extend the reach of copyright, while limiting the liability of the providers of online services for copyright infringement by their users.
1. **Anti-circumvention provisions** –
 - a) Criminalizes production and dissemination of technology, devices, or services intended to circumvent measures (commonly known as Digital Rights Management or DRM) that control access to copyrighted works.
 - b) Criminalizes the act of circumventing an access control, whether or not there is actual infringement of copyright itself.
 2. **Online Copyright Infringement Liability Limitation Act** –
 - a) Creates a safe harbor for online service providers (OSPs, including ISPs) against copyright liability if they adhere to and qualify for certain prescribed safe harbor guidelines and promptly block access to allegedly infringing material (or remove such material from their systems) if they receive a notification claiming infringement from a copyright holder or the copyright holder’s agent.
 - b) Offers OSPs a safe harbor from liability to their users, if the material upon notice from such users claiming that the material in question is not, in fact, infringing.
 - c) Provides for subpoenas to OSPs to provide their users’ identities.

- F. Copyright Royalty and Distribution Reform Act of 2004** – created the Copyright Royalty Board, which determines rates and terms for copyright statutory licenses and makes determinations on distribution of statutory license royalties.
- G. Prioritizing Resources and Organization for Intellectual Property Act of 2007 (PRO IP Act)** – signed October 13, 2008
1. Grants courts the power to increase civil and criminal penalties for copyright infringement:
 - a) Allows courts to “make either one or multiple awards of statutory damages with respect of infringement of a compilation, or of works that were lawfully included in a compilation...” based on a consideration of “any facts it finds relevant relating to the infringed works and the infringing conduct, including whether the infringed works are distinct works having independent economic value.”
 - b) That is, a party that unlawfully copies and distributes a boxed set containing 30 songs could be liable for \$4.5 million in statutory damages—\$150,000 for *each song*—rather than the previous \$150,000 for infringement of the boxed set compilation as a whole.
 2. Creates a new executive branch office, the Office of the United States Intellectual Property Enforcement Representative, to be appointed by the President.
 3. Allows the Department of Justice to conduct civil suits on behalf of private copyright holders and award the winnings to the copyright holders.
- H. Orphan Works Legislation**
1. Orphan works – works whose owners are unknown or cannot be located.
 - a) Orphan works have become more common as a result of copyright law over the last 30 years (protection is now automatic and formalities have been abolished)
 - b) Artists who wish to use old sound recordings and other copyrighted materials are frequently prevented from doing so because they cannot identify and find the owners and are deterred by the prospects of infringement lawsuits
 2. In 2008 legislators introduced Senate Bill 2913 and related House Bill 5885, which proposed to a mechanism for a user to perform and document

a good faith search for a copyright owner and to reduce the user's financial exposure.

- a)** Users would be required to attach an orphan symbol to the work's use.
- b)** If an owner surfaced, the user would be required to pay "reasonable compensation" or face full liability.

3. The legislation died in the 110th Congress, but is likely to emerge in the new Congress.

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