



FENWICK & WEST LLP



Copyright Infringement Litigation

With Some Asides on Software Copyright Litigation

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I. Where, What, When, Who and Why

A. Where: Federal Court Only

1. Federal courts have exclusive jurisdiction over copyright claims
(28 U.S.C. §1338(a))
2. Venue: Where defendant is found or where infringing acts occur
(28 U.S.C. §1400(a))

B. What is a copyright claim?

1. Claim must allege ownership of a copyright and infringement
 - a) Ownership
 - (1) Registration a precondition for suit
 - (a) But registration can follow infringement without loss of basic right to relief
 - (2) If Copyright Office refuses to register work, can still file suit, based on the refusal (17 U.S.C. § 411(a)). In that event, plaintiff must serve a notice of the action (with a copy of the complaint) on the Register of Copyrights. The register may appear in the suit on the issue of registrability
 - (3) Generally can file suit based on a copyright registration application
 - b) Infringement: Unauthorized exercise of one of the exclusive rights of copyright holders under 17 U.S.C. §106. Most commonly:
 - (1) Right to reproduce the work in copies
 - (2) Right to prepare derivative works based upon the copyrighted work
 - (3) Right to distribute copies to the public by sale or other transfer of ownership, or by rental, lease, or lending
 - c) Territoriality: infringing activity must take place within United States
2. Disputes over ownership of copyright, royalties, contractual rights relating to copyrights generally do not present copyright infringement claims
 - a) But former licensee engages in copyright infringement if she continues to copy or distribute after termination of license
 - (1) See Zimmerman, “Former Distributor Piracy: What to Do Until the Lawyer Comes,” at www.fenwick.com/docstore/publications/IP/IP_Articles/Piracy.pdf.
3. A copyright lawsuit can embrace other federal and state claims
 - a) Federal: Infringement of design patent; trademark, trade dress, passing off, false advertising, unfair competition under Lanham Act; consumer protection statutes

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- b) Principal potential state law claims
 - Trade secret
 - Misappropriation
 - Unfair competition; misleading advertising
 - Trademark infringement
 - Fraud
 - Breach of contract
 - Interference with contract
 - Trespass to Chattel
 - 4. State law claims may be preempted
 - a) 17 U.S.C. §301 governs
 - b) Generally, claims that come within the subject matter of copyright are preempted if based on alleged rights equivalent to any of the exclusive rights of copyright holders
 - (1) Example: many state law misappropriation claims
 - (2) Additional element test: not preempted if the state claim has an additional element not equivalent to rights of copyright holders
 - 5. Other federal laws are not preempted by Copyright Act
 - 6. Note that there is much “quasi-copyright” litigation these days, based on the anticircumvention or other provisions of the Digital Millennium Copyright Act (17 U.S.C. §§ 512, 1201 et seq.)

C. When

- 1. Statute of limitations on civil copyright claims:
Three years after action accrues (§507)

D. Who

- 1. Copyright plaintiff must own the copyrights or be an exclusive licensee of one of the rights
 - a) Who “owns” a copyright? The author, *i.e.*,
 - (1) the individual who created the work, or
 - (2) her employer, if work created by employee within scope of employment, or
 - (3) for certain limited kinds of works, 17 U.S.C. §101 (“work made for hire” definition), party for whom work was created if agreement specifies is a “work made for hire”; or
 - b) Assignee. Note: copyrights can only be transferred by express assignment in writing, signed by copyright holder

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2. Copyright defendants:
 - a) Direct liability: party who exercises an exclusive right of copyright holders without authorization
 - b) Contributory liability
 - (1) A party is liable for contributory infringement if, [1] “with knowledge of the infringing activity, [she] [2] induces, causes or materially contributes to the infringing activity of another.” *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159,1162 (2d Cir.1971)
 - (2) Important defense: Supplying a device or technology which is used for infringement does not constitute contributory infringement if the device or technology is “capable of commercially significant noninfringing uses.” *Sony Corp. of America v. Universal City Studios*, 464 U.S. 417, 442 (1984) (Betamax case)
 - (a) For important holdings and analysis on application of this doctrine in context of Internet peer-to-peer file sharing, see *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir.2001)
 - c) Vicarious liability
 - (1) A party is liable for vicarious infringement if the party [i] has the right and ability to control the infringer’s acts and [ii] receives a direct financial benefit from the infringement. *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304,306 (2d Cir. 1963); *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir.1996); *Religious Technology Center v. Netcom On-Line Communications*, 907 F.Supp.1361 (N.D. Ca1.1995); *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001)

E. Why

They pay us to have fun this way

II. How

A. Fundamental issues in Copyright Infringement Actions

1. Copyrightability — Does alleged copying cover matter or elements within scope of protection afforded by the copyright?
2. Infringement — How much “similarity” is too little or too much?
3. Affirmative defenses — Is there some basis for avoiding liability notwithstanding that infringement occurred?
4. Remedies — What remedy is available/ avoidable in your situation: injunctions, impoundment, destruction, damages, fees

B. To prove copyright infringement, plaintiff's burden

1. Proof of ownership of copyright
 - a) Registration establishes presumption of validity and ownership (17 U.S.C. §410)
2. Proof of Infringement
 - a) Either direct evidence of copying; or
 - b) Inference of copying is drawn when
 - (1) defendant had access to copyrighted work, and
 - (2) accused work is substantially similar to copyrighted works ["virtually identical" in some cases]
 - c) Rebuttable by proof of independent development

Note: Strict liability for copyright infringement — there is no intent or scienter requirement

Note: Formally different analytical schemes are applied by different courts. For example:

 - (1) In the Ninth Circuit: infringement shown by ownership of copyright, access to work plus (generally) substantial similarity. *Brown Bag Software v. Symantec*, 960 F.2d 1465,1472 (9th Cir.1992)
 - (2) In the First Circuit: infringement shown by ownership of copyright and by proof of "actionable copying"; viz.,
 - (a) proof of "factual copying" and
 - (b) proof of sufficient copying of protected matter to render the two works substantially similar. *Lotus Devel. Corp. v. Borland Int'l, Inc.*, 49 F.3d 807, 813 (1st Cir.1995)

C. Scope of protection of computer software and digital works

1. Tension between well-established principles
 - a) On the one hand, copyright does not protect procedures, processes, systems or methods of operation (17 U.S.C. §102(b)), which might seem to cover software programs
 - (1) Section 102(b): "In no case does copyright protection . . . extend to any idea, . . . regardless of the form in which it is described, explained, illustrated, or embodied"
 - b) On the other hand, computer programs have by Congressional fiat been deemed protectable under copyright law
 - (1) 17 U.S.C. §101 (definition); House Report on 1976 Copyright Act: Computer programs are protected "to the extent that they incorporate authorship in a programmer's expression of original ideas, as distinguished from the ideas themselves."

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2. Traditional “limiting doctrines” on scope of copyright protection have been applied to digital works
 - idea — expression “dichotomy”
 - merger doctrine
 - *scenes a faire*
 - functional elements
 - facts
 - public domain
 3. Idea — expression dichotomy — enduring levels-of-abstraction problem
 - a) Find the idea
 - b) Find the “expression” of the idea
 - c) See *Computer Associates v. Altai*, 982 F.2d 693,703 (2d Cir.1992) (computer software infringement); *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487,489 (2d Cir.1960) (classic Judge Learned Hand formulation on drawing line between idea and expression)
 4. Merger doctrine
 - a) Where the number of ways of expressing an idea is very limited, any “expression” of the idea merges with the idea and cannot be protected by copyright
 5. Scenes a faire doctrine
 - a) Expression which is standard, stock or common treatment within a genre is not protectable
 - b) In computer software context, expression dictated by “extrinsic factors” or “externalities” is considered a “scene a faire.” Specifically (per *Computer Associates v. Altai*, 982 F.2d 693 (2d Cir.1992)), expression is not protected insofar as it is dictated by such factors as
 - (1) The mechanical specifications of the computer on which a particular program is intended to run;
 - (2) Compatibility requirements of other programs with which a program is designed to operate in conjunction;
 - (3) Computer manufacturers’ design standards;
 - (4) Demands of the industry being serviced; and
 - (5) Widely accepted programming practices within the computer industrySee also *Data East USA v. Epyx*, 862 F.2d 204,208 (9th Cir.1988)
 6. The different meanings of “compatibility”
 - a) Interoperability; technical compatibility
 - b) “Market”-user expectation compatibility

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7. For overview of protectability in software context, see Zimmerman, “Copyright in the Digital Electronic Environment” (links to this and other articles on copyright at www.fenwick.com/attorneys/4.2.1.asp?aid=515)
 8. “Functionality” doctrine
 - a) Functional aspects of work unprotectable. *Bateman v. Mnemonics, Inc.*, 79 F.3d 1532, 1546 n.28 (11th Cir. 1996); *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1524 (9th Cir. 1992); *Apple Computer, Inc. v. Microsoft Corp.*, 799 F. Supp. 1006, 1023 (N.D. Cal. 1992), *affirmed* 35 F.3d 1435 (9th Cir. 1994)
 9. Facts not protectable
 - a) Lack constitutional requirement of “originality,” *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340 (1991), but compilations of facts can be protected if sufficient originality in selection or arrangement
 10. Public domain
 - a) Largely works whose copyrights have expired
 - b) Beware computer programmers’ working definition – “any routine I used at my last place of employment that I’d like to use again”

D. Infringement of copyrights in computer programs

1. The *Computer Associates v. Altai* Analytical Model
Abstraction — Filtration — Comparison
[Consider possible levels of abstraction and determine appropriate level; filter out unprotectable matter; compare what is left, in some unstated manner]
2. Widely accepted, though not overly helpful

E. Standards of Similarity: “substantial similarity” and “virtual identity”

1. Substantial similarity test ordinarily applies
 - a) Asks whether average lay observer would recognize the defendant’s work as having been appropriated from the copyrighted work. *Warner Bros. Inc. v. ABC, Inc.*, 654 F.2d 204, 208 (2d Cir. 1981)
2. Virtual identity test applies to compilations or works consisting largely of uncopyrightable elements. *MiTek Holdings, Inc. v. Arce Engineering Co., Inc.*, 864 F.Supp. 1568, 1584 (S.D. Fla. 1994), *aff’d* 89 F.3d 1548 (11th Cir. 1996)
 - a) Asks whether the two works are “virtually identical,” whether there has been “bodily appropriation of expression” or “copying of substantially the entire item” *Apple Computer, Inc. v. Microsoft Corp.*, 821 F.Supp. 616, 623 (N.D. Cal. 1993), *aff’d* 35 F.3d 1435 (9th Cir. 1994)

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- b) Commonly, a finding that this test applies is a prelude to a summary determination by the court that the works fail to meet the required level of similarity
3. Virtual identicality also required where similarities follow from fact that both parties' works are realistic depictions of natural objects. *First American Artificial Flowers, Inc. v. Joseph Markovits, Inc.*, 352 F.Supp.178, 186 (S.D.N.Y.1972); *Rachel v. Banana Republic, Inc.*, 831 F.2d 1503, 1507 (9th Cir.1987) ("when the nature of the creation makes similarity necessary," such "'indispensable expression' of ideas may be protected only against virtually identical copying").
 4. How is substantial similarity proven or disproven?
 - a) Test your intuitions about whether a lay jury would think the defendant's work was "recognizably" taken from the copyrighted work by showing the two works to friends, nonlawyers, *et al.* and soliciting their reactions — find out by experimenting what kinds of comparisons are most effective for ordinary people
 - b) Expert testimony is commonly decisive; without it, judges and juries are often clueless about central issues such as:
 - (1) How the software programs work and what they do
 - (2) What's going on and what the similarities, structural and otherwise, may be at the code level
 - (3) What the relevant externalities are that may dictate elements of the program, including industry design standards, standard programming techniques, hardware constraints, demands of industry served by software, compatibility requirements, and other scenes a faire factors
 - c) Consider "consumer confusion" evidence. Although theoretically irrelevant as this is a trademark law test of infringement, courts have considered consumer confusion probative of the substantial similarity standard — whether the average lay observer would recognize the defendant's work as having been appropriated from the copyrighted work. See, *e.g.*, *Whelan Assocs., Inc. v. Jaslow Dental Lab., Inc.*, 609 F.Supp.1307, 1322 (E.D.Pa.1985), *aff'd* 797 F.2d 1222 (3d Cir. 1986); *Atari, Inc. v. North Am. Philips Consumer Elec. Corp.*, 672 F.2d 607, 619 (7th Cir.1982); accord, *Broderbund Software, Inc. v. Unison World, Inc.*, 648 F.Supp. 1127 (N.D. Cal. 1986).
 - d) Graphical and demonstrative evidence is critical, whether the case is tried to a judge or jury.
 - e) To help court understand what an earlier "look-and-feel" decision actually meant, consider obtaining copies of exhibits in that case, and asking court to take judicial notice of the record in the case.

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- (1) For very useful discussion which includes reproductions of actual demonstrative evidence in major look-and-feel cases, see See Stern, “Real Life Trial Issues in Software Copyright Infringement Cases,” 16 Hastings Comm/Ent L.J. 559 (1994), also at www.fenwick.com/docstore/publications/IP/Real_Life_Issues.pdf.

F. Expert testimony and summary judgment in copyright actions

1. Ninth Circuit’s treatment is illustrative of these related issues: Who decides whether two works are too similar? And when is expert testimony relevant to the inquiry?
2. In the Ninth Circuit, a showing of substantial similarity requires proof of both “extrinsic similarity” and “intrinsic similarity.” *Sid & Marty Krofft Television Prods. Inc. v. McDonald’s Corp.*, 562 F.2d 1157, 1164 (9th Cir. 1977); *Shaw v. Lindheim*, 919 F.2d 1353 (9th Cir. 1990); *Brown Bag Software v. Symantec Corp.*, 960 F.2d 1465 (9th Cir. 1992)
3. Extrinsic similarity (objective test)
 - a) Once, this was a test of whether there was similarity in “general ideas” between two works. *Sid & Marty Krofft Television Prods. Inc. v. McDonald’s Corp.*, 562 F.2d 1157, 1164 (9th Cir. 1977)
 - b) Now said to refer to “objective elements of expression,” *Shaw v. Lindheim*, 919 F.2d 1353 (9th Cir. 1990) (identifying, for literary works, standard “objective components of expression” suitable for analytical dissection). Summary judgment of noninfringement is appropriate when plaintiff cannot show similarity of such elements. *Id.*; *Brown Bag Software v. Symantec Corp.*, 960 F.2d 1465 (9th Cir. 1992) (applying *Shaw* approach to computer software). Expert testimony is relevant to the “objective analysis of expression.” *Brown Bag* at 1474
4. Intrinsic similarity (subjective test)
 - a) Originally said to refer to “similarity of protected expression,” *Sid & Marty Krofft* at 1164, this test is now understood as requiring a “subjective assessment of [the extent of similarity in] the ‘concept and feel’ of two works.” *Shaw* at 1360. Where the plaintiff establishes substantial similarity in objective elements, summary judgment is *not* appropriate, and the *jury* (or fact finder) must determine whether the total concept and feel of the accused and copyrighted works is substantially similar. *Id.*
 - (1) But see *Pasilla v. McDonald’s Corp.*, 927 F.2d 440 (9th Cir. 1991) (limiting *Shaw* to literary works; upholding summary judgment that “total concept and feel” of masks was *not substantially similar*); *Cano v. A World of Difference Institute*, 1996 U.S. Dist. LEXIS 8161 (N.D. Cal. 1996) (“Ninth Circuit has not yet determined the precise scope of the *Shaw* rule”)

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- b) Expert testimony not traditionally proper on ultimate subjective test, but commonly offered anyway. See *Apple Computer v. Microsoft Corp.*, 35 F.3d 1435, 1442 (9th Cir. 1994) (“The intrinsic prong was a test for similarity of expression from the standpoint of the ordinary reasonable observer, with no expert assistance.”)

G. Experts and summary judgment: some practical issues

1. Selecting experts
 - a) Considerations
 - (1) Technical expertise in the field
 - (a) But what is the field?
 - (b) Note trend supporting district court’s role as “gatekeeper,” tendency to raise threshold of “scientific” basis for and reliability of expert opinion
 - i) *Kumho Tire Co. v. Carmichael*, 526 U.S. 137 (1999) and progeny
 - (2) Persuasive and recognizable credentials
 - (3) Ability to communicate with jurors — engaging personality — able to hold ground under cross examination
 - (4) Ability to assist attorneys; comprehension of legal issues can be a big plus. Expert must be able to help in:
 - (a) Evaluating opposing party’s expert
 - (b) Preparing for expert and non-expert depositions and examinations
 - (c) Framing discovery responses, declarations
 - (5) Not overly shopworn (beware of experts of the night)
 - (6) Consider experts with no prior testimonial experience
 - (a) Satisfy yourself they are educable — sometimes best to train an expert witness yourself if you have the resources
 - (b) But difficult to tell how will hold up under pressure of cross examination
 - b) Do as much as you can afford to in evaluating the potential expert
 - (1) Review expert’s curriculum vitae
 - (2) Lexis-Nexis / World Wide Web searches of cases/materials /articles in which mentioned or quoted
 - (3) Discuss performance with attorneys who used him or her
 - (4) Review testimony, writings, especially any in which staked out a position on subject of current engagement
 - (5) Talk to expert at length — especially about reactions to problem areas of the case
 - (a) But don’t forget that your discussions are likely to be discoverable if witness testifies
 - c) When to select your expert

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- (1) Need an expert to assist in understanding the core factual issues – what kind of case is this really?
 - (2) But need to know what case boils down to in order to know exactly what kind of witness you need
 - (a) It may turn out that the most relevant expert witness in a computer software infringement case is an expert in art – or marketing – or the history of software
2. Summary judgment
 - a) Following any motion for preliminary injunction, main focus of discovery and case development is commonly mobilizing for and against summary judgment
 - b) Defense focus: establishing that all (significant) allegedly copied elements are unprotectable, hence careful legal analysis necessary before depositions, requests for admission, etc.
 - c) Plaintiff's focus: establishing issues of fact on the copyright claim; establishing issues of fact regarding ancillary claims (often trade secret infringement) that offer fewer strictly legal issues
 - d) Attend carefully to presumptions that flow from copyright registration
 - e) Plaintiffs beware: do not assume that discovery can make case or Rule 56(f) stave off summary judgment if claimant lacks sufficient basis at outset to prove access and substantial similarity. See *Continental Maritime v. Pacific Coast Metal Trades*, 817 F.2d 1391, 1395 (9th Cir.1987) (mere “hope that further evidence will develop prior to trial” insufficient to support Rule56(f) motion); *Gemisys Corp. v. Phoenix American, Inc.*, 186 F.R.D.551 (N.D.Cal. 1999), Order Granting Defs’ Mot. for Summ. Jmt (inference of copying sufficient to defeat summary judgment will not be drawn on basis that defendant is competitor and speedily developed competing product, no matter how much evidence of access absent a substantial similarity showing; Rule 56(f) motion denied)

H. Insurance

1. Plaintiff: Consider whether claims are couched in manner likely to trigger insurance coverage, and whether you want to do so
 - a) Advantages of a possibly deeper settlement/ damages pocket vs. providing defendant with source of litigation fees and resources
2. Defendant: Explore immediately whether any policies (“advertising injury”?) cover infringement or other claims – timely notice of claims critical
 - a) If thinking about suing for declaratory relief of noninfringement, consider impact on insurance claim for defense costs
 - b) If file counterclaim, be aware may need to allocate fees and expenses between two – maybe set up subaccounts. Billing allocation may also be important to either side if seek fees at conclusion of action

III. How to Negate Liability: Affirmative Defenses

A. Fair use

1. Basics

- a) Not an infringement to make “fair use” of a copyrighted work “for purposes such as criticism, comment, news reporting, teaching. . . , scholarship, or research.” (U.S.C. §107)
- b) Four (non-exclusive) factors (U.S.C. §107 (1)-(4)) plus one more
 - (1) Purpose and character of the use (*e.g.*, commercial, educational)
 - (2) Nature of copyrighted work
 - (3) Amount/ substantiality of what was taken in relation to copyrighted work as a whole
 - (4) Effect on the potential market for or value of the copyrighted work

Note: Important consideration/ factor for current fair use analysis: whether the use is “transformative” (Leval, “Toward a Fair Use Standard,” 103 Harv.L.Rev.1105 (1990); *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S.569,114 S.Ct.1164,127 L.Ed.2d 500(1994)

2. Parody — a species of fair use

- a) “use of some elements of a prior author’s composition to create a new one that, at least in part, comments on that author’s works.” *Acuff-Rose*, 510 U.S. at 580
- b) Distinguished from satire:
 - (1) If the target of mockery is not the original work, the accused work is satire and not parody, and the use of the copyrighted work for such purpose is not a fair use. *Acuff-Rose; Dr. Seuss Enterprises L.P. v. Penguin Books USA Inc.*, 109 F.3d 1394 (9th Cir. 1997); *Leibovitz v. Paramount Pictures*, 137 F.3d 109 (2d Cir.1998)
- c) How much is too much: “[T]he parody must be able to ‘conjure up’ at least enough of the original to make the object of its critical wit recognizable Once enough has been taken to assure identification, how much more is reasonable will depend, say, on the extent to which the [parodic work’s] overriding purpose and character is to parody the original or, in contrast, the likelihood that the parody may serve as a market substitute for the original.” *Acuff-Rose* at 588; *Leibovitz*. See also, *Suntrust Bank v. Houghton Mifflin Co.*, 268 F.3d 1257 (11th Cir. 2001) (vacating preliminary injunction against publication of Alice Randall’s parody, *The Wind Done Gone*; Zimmerman, “Injunction Done Gone; First Amendment Still Here,” *Intellectual Property Today* (Aug. 2001) (http://www.fenwick.com/docstore/Publications/IP/IP_Articles/Injunction_Done_Gone.pdf).

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3. Special software /internet issues
 - a) Intermediate copying
 - (1) Reverse engineering held fair use
 - (a) if it is the only way to extract ideas from a work that are necessary to create a new work, and the ultimate work does not infringe. *Sega v. Accolade*, 977 F.2d 1510 (9th Cir. 1992)
 - (b) *Sega* widely followed, reaffirmed by Ninth Circuit in *Sony Computer Entertainment Inc. v. Connectix Corp.*, 203 F.3d 596 (9th Cir.2000) (emphasizing that *functional* aspects of original work are subject to fair use)
 - (2) Copying for compatibility
 - (1) Same issue, in substance, as whether elements of a computer program that must be copied for “compatibility” purposes are “scenes a faire”
 - (2) Some courts treat issue as an affirmative defense; others, as an issue going to the scope of the copyrights in the work
 - b) Internet searching
 - (1) *Kelly v. Arriba Soft Corp.*, 280 F.3d 737 (9th Cir. 2002) (holding that the copying of images and photographs by a “visual search engine” in “degraded” “thumbnail” form, for purposes of allowing end users to locate visual images on the internet constitutes fair use; framing and/or linking to full sized photos violates public display right (9th Cir. rehearing petition pending).
 - (2) See Zimmerman, “New Cases Address the Scope of the Fair-Use Doctrine on the Internet,” *Intellectual Property Bulletin* (Fenwick & West, Summer 2000) (online version linked from www.fenwick.com/docstore/publications/IP/IP_bulletins/IP_Bulletin_Summer_2000.pdf).
 - c) First Amendment
 - (1) At least in part reflected in Fair Use Doctrine in general, First Amendment rights represent a further possible distinct defense in some cases. See *Universal City Studios, Inc. v. Eric Corley*, 273 F.3d 429 (2nd Cir. 2001), enjoining the posting of and linking to websites which contain software enabling decryption of encrypted computer code which limits access to DVD movies.
 4. Time shifting
 - a) Videotaping of broadcasts by television viewers for “time shifting” is fair use. And because there are substantial noninfringing uses of VCR equipment, manufacturer is not a contributory infringer. *Sony Corp. of America v. Universal City Studios*, 464 U.S.417(1984) (Betamax case)
 5. Not fair use: some examples
 - a) “Space shifting”

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- (1) *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001) (peer-to-peer music file sharing); *UMG Recordings, Inc. v. MP3.com Inc.*, 92 F.Supp.2d 349 (S.D.N.Y.2000) (Internet music “storage”). But see *Recording Indus. Ass’n of America v. Diamond Multimedia Sys., Inc.*, 180 F.3d 1072 (9th Cir. 1999)
 - b) *Harper & Row v. Nation*, 471 U.S. 539 (1985) (not fair use to take essentially the “heart of the book,” even though qualitatively small amount taken); *Princeton University Press v. Michigan Document Svcs., Inc.*; 99 F.2d 1381 (6th Cir. 1996) (copying to create coursepack materials for college students); *Dr. Seuss Enterprises L.P. v. Penguin Books USA Inc.*, 109 F.3d 1394 (9th Cir. 1997) (O.J.Simpson trial satire based on “The Cat in the Hat”); *Ringgold v. Black Entertainment Television, Inc.*, 126 F.2d 70 (2d Cir.1997) (use of poster of “story quilt” art work in television scene, viewed in background for aggregate of 27 seconds, not fair use); *Los Angeles Times v. Free Republic*, 54 U.S.P.Q.2d 1453 (C.D.Ca1.2000) (copying articles for online discussion not fair use)

B. Copyright misuse

1. Enormously important affirmative defense that renders copyrights unenforceable, even against piratic third parties who are not “victims” of the misuse
2. Definition: “Use of the [copyright] to secure an exclusive right or limited monopoly not granted by the [Copyright] Office and . . . contrary to public policy.”
Lasercomb America, Inc. v. Reynolds, 911 F.2d 970,972 (4th Cir. 1990)
3. Most relevant to computer software and other works that are licensed.
4. Doctrine adopted by three circuit courts of appeal; rejected by none
 - a) *Lasercomb America, Inc. v. Reynolds*, 911 F.2d 970,972 (4th Cir.1990)
 - b) *DSC Communications Corp. v. D GI Technologies, Inc.*,81 F.3d 597,601 (5th Cir.1996)(preliminary injunction); *Alcatel USA, Inc. v. DGI Technologies, Inc.*, 166 F.3d 772 (5th Cir.1999) (same case following trial on merits)
 - c) *Practice Management Information Corporation v. American Medical Association*, 121 F.3d 516 (9th Cir. 1997)
5. Contract requirements that have been held to constitute copyright misuse
 - a) Licensee agrees not to create competing products. *Lasercomb*
 - b) Licensee agrees not to use competing products. *Practice Management*
 - c) Copyright holder attempts to enforce license terms setting limits on use of copyrighted software that effectively preclude development of new, noninfringing works. *DSC Communications*Further scope of doctrine not clear
 - (1) License bars reverse engineering?
 - (2) Exclusive distributorships?

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6. Operation of copyright misuse doctrine
 - a) If *even one* agreement embodying the misuse is in force, doctrine is likely to operate
 - b) Bad provision need not rise to level of antitrust violation; and at this point it is not clear whether “market power” is necessary to trigger copyright misuse finding in any context
 - c) Can be asserted as complete defense to infringement by third party who has nothing whatever to do with the misuse-embodying license or contract
 - d) Copyright misuse does not invalidate copyright, but renders it unenforceable for the period of misuse. Copyright can become enforceable again after misuse is purged. Law unclear on what is sufficient to purge — *see patent misuse case law for guidance generally on copyright misuse*
 - e) Applies only to the copyright that was misused, not to all of the licensor’s copyrights
 - f) Likely (though not established) that copyright misuse can be asserted by a licensee in contract dispute, *e.g.*, as a defense to the licensee’s failure to pay royalties under the license.
 7. Practice implications:
 - a) Defense counsel in any copyright infringement case *must* obtain all licenses and agreements relating to copyrighted work, and scrutinize for possible misuse
 - (1) But check own license agreements, too. Though “unclean hands” is apparently not a defense to the defense, fact that defendants’ own licenses contain same provision may have impact — and there’s some risk of creating an estoppel that might hurt defendant in another case in which it asserts infringement of its copyrights. *See Alcatel USA, Inc. v. DGI Techs., Inc.*, 166 F.3d 772, 794 (5th Cir. 1999) (“In the instant case, it is [Plaintiff] which seeks equitable relief in the form of an injunction, and thus it is [plaintiff’s] hands alone that must pass the hygienic test. By misusing its software copyright, [defendant] sullied its hands, barring itself from obtaining the equitable reward of injunction on grounds of copyright infringement. This does not mean that we repudiate the jury’s finding of unclean hands on the part of [defendant]. Indeed, the deceptive practices used by [defendant] to obtain a copy of [plaintiff’s] software left it with very dirty mitts. Nevertheless, this finding is irrelevant given the particular posture of this case.”)
 - b) Plaintiff’s counsel must anticipate issue, review all agreements in advance of filing, and, if necessary, promptly take steps to purge misuse
 - (1) Key steps to purge misuse: unambiguously, permanently, and without any offsetting consideration renounce any rights under offending provision in all contracts

(2) Copyrights may still be unenforceable until effects of misuse are dissipated

8. For further discussion, see Zimmerman and Young, "Copyright Misuse and Its Effect on the Enforceability of a Copyright," http://www.fenwick.com/docstore/publications/IP/IP_bulletins/IP_Bulletin_Summer_1998.pdf.

C. DMCA OCILLA safe harbors

1. Title II of the 1998 Digital Millennium Copyright Act is known as the Online Copyright Infringement Liability Limitation Act (OCILLA) (17 U.S.C. § 512)
2. OCILLA provides safe harbors which effectively protect most telecommunications companies, internet access providers, bulletin board operators, hosts, intermediaries, and "online service providers" of all kinds from contributory or vicarious copyright liability based on infringements by hosted subscribers and others whose content is transmitted, stored, etc. by such online service providers. See *Costar Group, Inc. v. Loopnet, Inc.*, 164 F.Supp. 2d 688 (D.Md. 2001); *ALS Scan, Inc. v. RemarQ Communities, Inc.*, 239 F.3d 619 (4th Cir. 2001); *Hendrickson v. eBay, Inc.*, 165 F.Supp. 2d 1082 (C. D. Cal. 2001); *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 2002 U.S. Dist. LEXIS 7333 (Filed April 22, 2002 C. D. Cal.).
3. For leading case on scope of safe harbors in context of Internet peer-to-peer file sharing, see *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001); for analysis of Napster cases, see David L. Hayes, "Advanced Copyright Issues on the Internet," http://www.fenwick.com/docstore/355/Advanced_Copyright_02-29-04.pdf.

IV. Remedies

A. Preliminary and permanent injunction

1. Note: Irreparable harm is generally presumed when copyright is infringed. See, e.g., *Apple Computer v. Franklin Computer Co.*, 714 F.2d 1240 (3d Cir. 1983); Nimmer on Copyright §14.06[A]

B. Impoundment and destruction of infringing works (17 U.S.C. §503(a) & (b))

1. If true *ex parte* order of impoundment is obtained at outset of action (no notice at all to defendant), consider evidentiary issues arising out of events at the seizure, including who witnessed what, whether you can take photographs of infringing matter *in situ*, participate in the seizure, etc.
2. See Zimmerman, "Obtaining Ex Parte Relief Against Copyright Pirates," http://www.fenwick.com/docstore/publications/IP/IP_Articles/Copyright_Pirates.pdf.

C. Actual damages

1. Primary measure based on extent to which market value of copyrighted work is impaired by the infringement. *Nimmer on Copyright* §14.02[A]
2. Generally measured by lost profits suffered by copyright holder; reasonable royalty in some circumstances
3. Copyright holder's burden to show lost revenue; burden then shifts to infringer to show loss would have occurred even had there been no copyright infringement. *Harper & Row v. Nation Enterprises*, 471 U.S. 539, 567 (1985)
4. Points for plaintiff to make
 - a) Sales decline is linked to infringement
 - b) Similar uses of infringer's and copyright holder's products
 - c) Mutual customers
 - d) Direct competition
 - e) Plaintiff able to satisfy market demand had infringer's substitute product not been available
 - f) Infringer's sales as measure of extent of sales the plaintiff could have made
5. Points for defendant to make
 - a) Plaintiff "lost" more sales than defendant gained
 - b) Price differences mean copyright holder would not have made all sales
 - c) Markets segmented, infringer's sales in area geographically remote from copyright holder
 - d) Sales were newly created based on infringer's marketing efforts
 - e) Other participants in market would have made some of the infringer's sales
 - f) Qualitative product difference; sales attributable to non-infringing elements
 - g) Other explanations for sales decline

D. Infringer's profits

1. No double dipping, but additional profits of the infringer can be added to copyright owner's actual damages
2. Copyright holder's burden to show gross sales revenues for infringing product and sales related to the infringement
3. Infringer's burden to prove deductible costs, to prove entitlement to an allocation of profits attributable between infringing and non-infringing elements
 - a) If infringing work is not an exact copy of protected work, allocation may be main damages issue, and importance of infringed elements is critical factor. Relevant evidence includes:
 - (1) Marketing, advertising of both products

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- (2) Key sales features
 - (3) Customer response

E. Statutory damages and attorney's fees

1. Where plaintiff registered copyright either before infringement commenced, or within three months of first publication, plaintiff is eligible for statutory damages and attorneys fees (17 U.S.C. §§ 412, 504, 505)
2. Can be awarded by a judge or jury, within discretionary ranges (17 U.S.C. § 504). *Feltner v. Columbia Pictures Television, Inc.*, 140 L.Ed.2d 438 (1998) (right to jury trial of statutory damages)
 - a) \$750 to \$30,000 per infringement,
 - b) for willful infringements, up to \$150,000 per infringement (*not* per copy), and
 - c) for “innocent” infringers (not aware of infringement and had no reason to believe acts constituted infringement) can be reduced to \$200
3. It can add up
 - a) In statutory damages retrial of *Feltner*, which involved wrongful airing of 440 television show episodes, *Columbia Pictures v. Feltner*, on April 9, 1999 a jury awarded \$32 million in statutory damages against the willful infringer
 - b) This was \$23 million more than the statutory damages originally awarded by the judge in the case, which was overturned because defendant vindicated right to jury trial on statutory damages!
4. Election of statutory damages can be made anytime before final judgment.
Plaintiffs:
 - a) Consider whether apparent value of infringement and willfulness may generate big statutory damage award
 - b) Consider difficulties and cost of proving up actual damages or lost profits
 - c) See David W. Johnson, “Statutory Damages for Copyright Infringement,” at www.fenwick.com/docstore/Publications/IP/IP_bulletins/IP_Bulletin_Summer_1998.pdf
5. Attorneys fees
 - a) Available to prevailing defendant on same basis (discretionary) as to winning plaintiff. *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994)
6. Availability of statutory damages and fees is critical reason for registering copyrights in advance of infringement
 - a) In any cases (*e.g.*, copying of web sites) proving actual damages or infringer's profits will be impossible or infeasible, or will result in trivial award
 - b) Possibility of statutory damages creates big leverage for cease-and-desist letters, for negotiations at outset of dispute

F. Customs seizures

1. Registration required
2. Can be cheap, swift alternative (or supplement) to litigation when infringing works are being imported.
3. See 19 C.F.R. §133.31 *et seq.* for some procedures

V. Special Considerations relating to Infringement of Computer Program Copyrights

A. State of law uncertain — advances in technology continue to outstrip established law in critical areas

Examples:

- whether various routine activities on the Internet represent exercise of copyright holders' exclusive rights. See David L. Hayes, "Advanced Copyright Issues on the Internet," http://www.fenwick.com/docstore/355/Advanced_Copyright_02-29-04.pdf; *Kelly v. Arriba Soft Corp.*, 280 F.3d 934 (9th Cir. 2002) (holding for first time that linking and/or framing violates public display right)
- whether "technical interfaces" are protectable. See Zimmerman, "Baystate Holding: Technical Interfaces Not Copyrightable," http://www.fenwick.com/docstore/publications/IP/IP_Articles/Baystate_Holding.pdf
- how to apply abstraction test under *Altai*
- whether idea-expression "dichotomy" applies to processes, procedures, methods of operation
- whether such fundamental elements of user interface as menu command hierarchies are protectable. *Lotus v. Borland*, 516 U.S. 1167 (1996) (Supreme Court split 4-4 on issue)
- what the body of "precedent" in "look and feel" or user interface cases means, when the opinions seldom include photographs or other depictions of the user interfaces compared by the court
 - See Stern, "Real Life Trial Issues in Software Copyright Infringement Cases," 16 *Hastings Comm/Ent L.J.* 559 (1994), also at www.fenwick.com/docstore/publications/IP/Real_Life_Issues.pdf
- scope of new defenses, *e.g.*, copyright misuse, copying for compatibility or interoperability (fair use)

B. Plaintiffs often face unavoidable uncertainty as to critical facts re infringement

1. May not have retained archival copy of infringed work; Copyright Office filings likely incomplete, deposit may be unavailable; possible difficulties in registering original work when sample for deposit is not available
2. No access to alleged infringers' source code

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3. Implication for defendants: aggressive early defense, combined with proposed limits on discovery, to force plaintiff to their proof
 4. Implication for plaintiffs: must get ducks in order before filing suit. Court may limit discovery you consider essential to prove substantial similarity (*e.g.*, forbidding access to defendant's source code) if you have insufficient basis for allegations of copying and similarity. *Gemisys Corp. v. Phoenix American, Inc.*, 186 F.R.D.551(N.D. Ca1.1999), Order Granting Defs' Mot for Summ. Jmt
 - a) *i.e.*, "information and belief" means more than "speculation and suspicion"

C. Discovery agreements re confidentiality are ubiquitous because of trade secret, proprietary information concerns; preservation of evidence

1. Protective orders virtually always required; difficult issues re role of in-house counsel, access by client. See *Brown Bag v. Symantec*, 960 F.2d 1465,1469 (9th Cir. 1992) (and beware of possibility that in-house counsel may later seek to become counsel of record)
2. Where production of source code is required, consider three-tier protective order, which special additional limitations and controls re access to source code
 - a) lock and key, specification of experts who will examine with opportunity to object, logs of who has examined, controls over where can be examined
3. Consider orders, stipulations regarding preservation of evidence. Discuss with client steps that must be taken, notice given to employees, as soon as it is clear that litigation is imminent, regarding deletion of potentially relevant documents from hard drives, impact of litigation on any routine practices for archiving, destruction, "non retention" of obsolete materials
4. Judges commonly rubber stamp negotiated protective orders, but are often nonetheless loathe to close their courtrooms during trial for such purposes

D. Experts, tutorials, demonstrative evidence

1. Complexity of showing and defenses virtually always requires expert witnesses
2. Common to provide fact-finder, court with educational tutorial on the technology; demonstrative evidence of various levels of complexity required
 - a) For full discussion of tutorials, see Zimmerman, "Educating the Judge and Jury: The Technology Tutorial," *The Computer Lawyer*, vol. 7 no. 5 (May 1990)
3. Consider the pros and cons of side by side comparisons, full color versus black and white depictions of screen displays, summary charts. What level of detail and vividness helps or hurts your position? Browse through Edward R. Tufte, *Visual Display of Quantitative Information* (Graphics Press, Cheshire, CT, 1983), for inspiration and insights

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4. Although sophisticated and expensive demonstrative exhibits can be effective (and daunting), pricey high-tech presentations are not essential. A “homey” approach may be highly effective in a particular case — particularly if simple exhibits are narrated effectively by an appealing expert witness — and could support the message that the party using such techniques is a little guy who’s up against the big rich bad guy.
 5. Not only an expert witness or client “demonstrator,” but the attorney should be fully able to operate the program at issue and related programs
 6. If there is a demonstration, consider how and whether the demonstration is meaningfully to be made part of the record for appeal — possibly including videotaping the demonstration and the part of the testimony pertaining to it
 7. Don’t forget to submit the entire programs into evidence if you want the court to consider the works in their entirety!
 8. The judge may “examine” (play with) the programs in chambers, in unanticipated and unknown ways, drawing new inferences unexamined by the parties. (This may be likened to the finder of fact taking an unguided tour of the scene of the crime during jury deliberations.) Consider whether you want to discuss this possibility with the court, or ask for an *opportunity to respond to any observations the court might make during such examination of the programs*.

E. Implications: front-loading of costs, preparation, results

1. Copyright litigation involving computer software is intensive, swift out of the gate, and costly
2. Both plaintiff’s and defendant’s counsel must be aggressive and ready to move quickly on case developments
3. Clients must be helped to understand that initiating a litigation will often require major involvement of party
4. Preliminary relief commonly tells the tale

VI. Final thoughts

A. Copyright law and the Internet

1. Discussion is beyond scope of this outline. But rumors of the death of copyright on the Internet and elsewhere are much exaggerated. See generally, Digital Millennium Copyright Act, WIPO Copyright Treaty
 - a) Anti-circumvention. (17 U.S.C. §1201); *Real Networks, Inc. v. Streambox Inc.*, 2000 U.S. Dist. LEXIS 1889, 2000 WestLaw 127311 (W.D. WA 1-18-00) (granting

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- and denying preliminary injunction); *Universal City Studios, Inc. v. Reimerdes*, 82 F.Supp.2d 211(S.D.N.Y.2000)
- b) Online Copyright Infringement Liability Limitation Act (OCILLA). (17 U.S.C. § 512); *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir.2001)

B. The Audio Home Recording Act of 1992: Laid to rest for internet purposes?

1. 17 U.S.C. § 1001 *et seq.* (digital audio recording devices and media)
2. *Recording Industry Association of America v. Diamond Multimedia Systems, Inc.*, 180 F.3d 1072 (9th Cir. 1999) (holding “Rio” MP3 recording device not governed by AHRA)
3. Very much relevant to audio device interoperability

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