

## Copyright: Some Very Recent Cases You Should Know About

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Unless they were decided by the Supreme Court, contained major players, or were widely anticipated to begin with, most copyright cases do not get a lot of press. Here are six somewhat below-the-radar decisions from the past two months that will be of real consequence in the copyright world.

### ***Murphy v. Millennium Radio Group*, 2011 WL 2315128 (3d Cir. June 14, 2011): Copyright Management Information Includes Simple Non-Digital Copyright Credits**

While the bundle of rights offered by copyright law includes a lot of things, it does not include the right to "credit." However, in *Murphy*, the Third Circuit found that the *removal* of a credit, digital or not, from any copyrighted work may be a violation of the Digital Millennium Copyright Act's ("DMCA") prohibition on tampering with "Copyright Management Information" ("CMI").

Here, plaintiff took a photo of two shock-jocks for a local magazine's "Best of" edition. The humorous photograph portrayed the two DJs, naked, with their private areas covered only by a sign proclaiming the name of their radio station-making this perhaps the one case where CMI could be confused with "TMI" (insert your own joke here). The radio station then used the photograph in a contest where its listeners altered the photo in other amusing ways. In administering the contest, the station also removed the photographer's name from the bottom of the photo.

The district court dismissed a copyright infringement claim based on fair-use grounds, and also dismissed the plaintiff's CMI claim. The Third Circuit reversed. While the fair-use reversal was interesting, it did not create new law. But, there have been few cases even mentioning CMI, and just about all of those at the district court level. Those courts that found no CMI violation reasoned that: (a) the removal of mere credits, especially *non-digital* credits, cannot be a violation of the DMCA because the DMCA was intended to safeguard *technological* measures used to protect copyrighted works; and, (b) finding a CMI violation for simple credit removal would go against the bar on copyright credit claims and potentially blur the lines of copyright and trademark.

The Third Circuit, however, held that the clear language of the DMCA (17 U.S.C. § 1202) had no such limitations in the actual definition of CMI, and so it could include any form of credit. Like *MDY Indus., LLC v. Blizzard Entertainment, Inc.*, 2010 WL 5141269 (9th Cir. Dec. 14, 2010), in the Ninth Circuit, which interpreted the DMCA's "access" right, this may be a case where the court correctly read the literal interpretation of the DMCA, even if that interpretation might contrast with the original intent of the law. Such a finding may cast a wide net for potential DMCA violations, so look for a substantial rise in "removal of credit" claims going forward. However, note that a CMI violation is an additional claim, not a substitute for a copyright claim, since it still has to "induce, enable, facilitate, or conceal" an infringement.

### ***Kernal Records Oy v. Mosley*, 2011 WL 2223422 (S.D. Fla. June 7, 2011): First Publication on the Internet Means First Publication Everywhere**

Yes, you read the header correctly. In *Kernal*, plaintiff's copyright predecessor (who was from Norway) first published his song on an Australian magazine website. Plaintiff sued the U.S.-based defendants in the United States after they allegedly copied the work without authorization. Once the court decided that the initial online posting was a publication, the main issue was *where* the work was first

published. Under section 411 of the Copyright Act, "United States works" must be registered with the U.S. Copyright Office before a lawsuit can be brought, but foreign works are immune from that requirement. So, what country did plaintiff's work belong to according to the court? *Every* country.

The court held that first publication over the Internet amounts to "simultaneous publication in the United States and other nations around the world that have Internet service." Therefore, such works are subject to the procedural requirements of each and every country. *Kernal* rejected the holding and rationale of the only other court to delve deeply into this issue, *Moberg v. 33T LLC*, 666 F. Supp.2d 415 (D. Del. 2009), whose concern included subjecting copyright holders to the formalities of every country, allowing U.S. residents to infringe on otherwise foreign works with minimal recourse, and being contrary to the goals of the Berne Convention—the treaty the United States signed where we agreed to protect foreign works without requiring creators to undertake any formalities in the United States. Essentially, the court here found that nothing in the Copyright Act stated that the place of publication did not include every place the work could be accessed, and (similar to the Third Circuit's Murphy decision described *supra*) the absence of any limiting language trumped any treaty. To make matters worse for the plaintiff, even though no court had ever come to such a conclusion previously, the court refused to allow plaintiff the chance to register its work and amend its complaint, stating that plaintiff should have done so as soon as the defendant raised the issue.

How far this decision will extend once lawyers examine the ramifications of a work being subject to every country's formalities and rules must, for now, be left to the imagination—or a good law-school exam question. However, based on this decision, copyright owners should consider whether they can avoid first publication over the Internet in circumstances where it could come back to hurt them, and they should comply with various formalities as soon as an issue arises. Certainly, a strict following of *Kernal* could force copyright owners to jump through many hoops, and in the end, Congress may be forced to clarify its intent. In fact, this case brings to mind a much different case with a similar result; but is it too much to suggest that the *Kernal* court was just exacting United States revenge on Australia for this [2002 decision](#), which allowed Australian citizens to sue U.S. publishers in Australia for defamation published on the Internet?

### ***Penguin Group (USA) Inc. v. American Buddha*, 640 F.3d 497 (2d Cir. May 12, 2011): The "Situs" of a Copyright Infringement is the Location of the Copyright Owner**

In *Penguin*, the defendant published four of plaintiff's works on its Oregon-based website, and plaintiff sued in New York. Defendant moved to dismiss on personal jurisdiction grounds.

In determining whether or not defendant should be subject to jurisdiction in New York, the court looked at New York's long-arm statute for tortious acts committed "outside New York." One necessary factor in that analysis is whether "the tortious act caused an injury to a person or property in New York," i.e., the "situs" of the injury. The district court found that the injury occurred when defendant copied the works in Oregon, and dismissed the case. The Second Circuit, however, took the unusual step of transferring the question to the New York Court of Appeals, stating that it would interpret the rule consistent with the New York courts.

The New York court returned with the answer: "a New York copyright owner alleging infringement sustains an *in-state* injury . . . when its printed literary work is uploaded without permission onto the Internet for public access" (emphasis added). Since an online infringement extends throughout the world (and is accessible in New York), the site of the injury was not limited to the place where the work was uploaded. The Second Circuit adopted this reasoning, and remanded to the district court for further review of the other long-arm statute factors.

While some reports have suggested that *Penguin* stands for the proposition that copyright infringement defendants will always be subject to personal jurisdiction in the location of the copyright owner, that is not correct. The Second Circuit made clear that the personal jurisdiction defense would still turn on whether the other four long-arm factors, as well as the requirements of Due Process, were

satisfied. However, when read in combination with the *Kernal Records* case discussed above, one could reach the conclusion that Penguin did not go nearly as far as it could have. For example, one reading of *Kernal Records* would lead to the conclusion that the long-arm statute for tortious acts committed outside the state should not apply because the infringement *itself* happened in New York. If putting a work on the Internet means that it is simultaneously published everywhere, then one could argue that when an alleged infringement is Internet-based, the infringement act itself happened everywhere. In fact, in the District of Nevada, a group of cases involving a plaintiff known as "Righthaven" decided, in a bit of a mix of *Penguin and Kernal*, that personal jurisdiction challenges to plaintiff's home forum should be overcome whenever a defendant copies plaintiff's work on the Internet if he knows that the work belongs to a copyright owner in that forum.

However, as discussed below, that good news for Righthaven was relatively short-lived....

### **The Righthaven "Standing" Decisions: A Copyright Assignment is not Valid Unless it Actually Transfers Copyright Rights**

If you are not already familiar with the *Righthaven* campaign, Righthaven is a company that has entered into an agreement with the *Las Vegas Review Journal* and the *Denver Post* to sue third parties for alleged infringement of certain of those newspapers' works on the Internet. As of this writing, Righthaven has sued hundreds of bloggers and websites, all in the Districts of Nevada or Colorado.

At first these lawsuits were fairly successful and managed to extract many small settlements out of various defendants. However, Righthaven was recently forced to produce the copyright "assignment" between itself and the newspapers. This has led to the dismissal of various *Righthaven* cases, and has opened up the doors to threats of sanctions and even class actions from prior settling parties. Why?

In *Silvers v. Sony Pictures Entertainment, Inc.*, 402 F.3d 881 (9th Cir. 2005), the Ninth Circuit made clear that one cannot merely transfer the right to sue for a copyright infringement. Rather, to have copyright standing, you must be the owner, or at least the exclusive licensee, of an actual copyright right under section 106. According to the two judges that decided *Righthaven, LLC v. Democratic Underground, LLC*, 2011 WL 2378186 (D. Nev., June 14, 2011) and *Righthaven, LLC v. Hoehn*, 2011 WL 2441020 (D. Nev. June 20, 2011) (as well as three more Nevada Righthaven cases in the weeks since), the Righthaven/newspaper assignments did not come close to meeting that standard. While the agreements purported to be assignments of copyright, they made clear that the newspaper retained the right to exploit all copyrights, that Righthaven could not exploit the copyrights other than to bring infringement lawsuits, and that the newspaper even had discretion over whom to sue.

Some of the judges in Nevada have made clear their displeasure with Righthaven's tactics and, apparently, see this standing issue as an easy out. However, even with the standing dismissal, one court was upset enough by these cases to go so far as to also find the copying of an entire article by a blogger to be fair use. It remains to be seen whether Righthaven will abandon these suits or try to edit the assignment agreement. The outcome of these cases makes clear to others that if a copyright owner wishes to have third parties, subsidiaries, or other entities enforce its copyrights, it needs to make sure that actual copyright rights are transferred beyond just the right to bring suit.

### **Warner Bros. Entertainment Inc. v. X One X Productions, 2011 WL 2610948 (8th Cir. July 5, 2011): You Cannot Use Public Domain Images of Characters in New Works if the Original Movies are Still Copyrighted**

Defendant in *X One X* used images from old "public domain" publicity materials that promoted movies, including "Gone with the Wind" and "The Wizard of Oz," to create T-shirts, lunch boxes, and so on. In many cases, defendant added a character's signature phrase to the product or combined multiple images on a product. Plaintiff sued, stating that even though the images (of the actors in costume)

were taken from public domain materials and were not in the actual movies, defendant could not create new materials with those images without violating the *movie* copyrights as those copyrights included the characters themselves.

The district court agreed with plaintiff and entered a permanent injunction against all of defendant's products (except for exact duplication of individual items of public domain material in the same manner, such as a public domain poster being duplicated in whole and sold as a poster). The Eighth Circuit affirmed for the most part. It stated that the "freedom to make new works based on public domain materials ends where the resulting derivative work comes into conflict with a valid copyright." Here, because the movies actually came after the publicity photos were released, the court had to determine what of the characters was protected *after* accounting for what was in the public domain.

The court held that, for "Gone with the Wind," although the actors in the publicity photos were in costume, they were not "shown in a consistent, unique outfit and hairstyle." Therefore, other than the images themselves, nothing regarding the characters could be put in the public domain. Otherwise, "almost *any* image of Vivian Leigh or Clark Gable would be sufficient to do so as well" (emphasis in original). For "The Wizard of Oz," the court likewise found that certain changes among publicity photos, such as costume colors and hairstyles, made it so that no character elements should be deemed in the public domain. In some ways, the court's limited analysis is a bit strange since characters in movies do change costumes—a better question for, say "Gone with the Wind," might have been whether the actors' costumes in the publicity photos were all representative of the American South during the Civil War.

The Court of Appeals did reverse the district court's injunction in instances where defendant used a public domain image or part of a public domain image *two-dimensionally*, by itself, on any type of product—so a poster could be duplicated on a T-shirt (although the court clarified that this product change could only be allowed where the publicity photo was published before the movie, or it would "necessarily exhibit" the movie characters and could not be put on other products). The court affirmed in all other respects. It found infringement where defendant: (a) combined two public domain materials; (b) added "a printed phrase from the book underlying the subject film," such as "There is no place like home," to the public domain material; or, (c) converted a two-dimensional public domain work into a three-dimensional work. Such transformations were found to add "a new increment of expression of the film character" not present in the original public domain materials and, therefore, an attempt to portray the film characters themselves.

Without commenting on the correctness of its conclusions, the court's reasoning leaves many questions open. It is unclear whether simple recognition of a movie should infringe upon copyright when the image is in the public domain and came before the movie existed. A single line from a movie might not be copyrightable by itself, so the question arises of whether the addition of that line to a public domain image (or the mere combination of two public domain images) should be handled by copyright law as opposed to trademark—or even right of publicity. For example, if I take a legitimate photograph of Clint Eastwood and get his permission to sell it on a T-shirt, would I be violating the "Dirty Harry" *character copyright* by adding a line saying, "Go Ahead, Make My Day"?

## ***Barclays Capital Inc. v. Theflyonthewall.com, Inc.*, 2011 WL 2437554 (2d Cir. June 20, 2011): "Hot News" Viewed as Extremely Narrow**

Finally, there is *Barclays*, which dealt with the relation between "hot news" misappropriation and copyright law. Plaintiffs in *Barclays* issued analyst reports to their clients regarding the securities of public companies, complete with buy or sell recommendations. Since the recommendations themselves moved markets when made public, plaintiffs' clients had an informational advantage and could obtain financial gains by knowing the recommendation before the general public. Defendant Theflyonthewall.com obtained these reports as soon as they were issued and then informed the general public of buy or sell recommendations before the market opened. As such, plaintiffs' clients were unable to reap the financial rewards of getting the reports and, in turn, were less likely to execute trades with plaintiffs (and reap the resulting commissions) based on those reports.

Where defendant re-published plaintiffs' entire report, the copyright claim was a slam-dunk. However, in many cases, defendant merely published only the fact of plaintiffs' recommendations. Since copyright does not protect facts no matter how much "sweat of the brow" was used in arriving at the fact, a copyright claim was unlikely to succeed under such circumstances. Instead, plaintiffs sued defendant on a hot news theory.

After a bench trial, the district court found for plaintiffs. Citing *National Basketball Ass'n v. Motorola, Inc.*, 105 F.3d 841 (2d Cir. 1997), the court stated that hot news was a viable theory, not preempted by copyright, as long as a plaintiff gathered time-sensitive information at a cost to it, defendant was in direct competition with a product or service of plaintiff and defendant's use of the information constituted free riding on plaintiff's efforts, and it would drastically eliminate plaintiff's incentive to produce the good or service if other parties also engaged in free riding. The district court found all of these factors satisfied. The court then fashioned an interesting injunction, holding that defendant could not release plaintiffs' recommendations to the public for a period ranging from 30 minutes to several hours after they were issued by plaintiffs.

The Second Circuit reversed, holding that the hot news claim was preempted by the Copyright Act. The court did not eliminate hot news as a viable claim altogether. It stated that it was bound to accept the prior panel holding in *NBA* that hot news could exist in very narrow circumstances. In *NBA*, the court found that (keeping in mind that sporting events themselves are not copyrightable, but the recordings of those events are) the NBA's claims against a news service reporting on elements of the game in real-time were pre-empted because they were based in copyright rights, including "acts of reproduction, performance, distribution or display." However, the *NBA* court stated that if an "extra-element is required instead of or in addition to the [copyright-related] acts," there is no pre-emption and a state claim can exist. For hot news, those extra elements are time-sensitivity, free-riding, and the threat to the very existence of the product.

However, in *Barclays*, the Second Circuit discounted most of the "tests" set forth in *NBA*, essentially calling them "dictum." Rather than rely on those tests, the court found pre-emption based on various other factors. First, it held that even though the recommendations were not copyrightable, they were written subject matter allegedly reproduced by defendant, making the claim subject to copyright law. Furthermore, defendant was not free-riding on plaintiffs because it was not disseminating plaintiffs' gathering of news. Rather, plaintiffs' recommendations, created-not gathered-by plaintiffs, were the news itself and defendant was "breaking" that news. Nor was defendant selling the news as its own: it gave full attribution to plaintiffs because it was the *fact* that plaintiffs had made the recommendation that was important. The court did "not perceive a meaningful difference" between Fly's reporting of a plaintiff's recommendation and a traditional newspaper reporting on the score of a game or the winner of an award. Finally, since the plaintiffs gave their reports to their clients with the hope of reaping profits when those clients made stock trades, the court noted that to the extent those profits were diverted, they were not directly diverted to defendant, but instead, "to whatever broker happens to execute a trade placed by the recipient of the news of the Recommendation."

It is unclear why the Second Circuit discounted the *NBA* test as dictum. Judge Raggi's lengthy concurrence rightfully points out that the majority really offers no clear test of their own for future cases-she would have reversed on her opinion that the plaintiffs failed to establish that their services were in direct competition with defendant's core news aggregation service. Whichever reasoning (or combination of reasoning) is correct, or more importantly, followed in the future, this case can be seen as one more obstacle for any plaintiff wishing to bring a hot news claim. At this point, there are extremely limited circumstances where a copyright claim would not be viable, but a hot news claim would be.



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