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CASES OF INTEREST

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IP/Entertainment Law Weekly Case Update for Motion Picture Studios and Television Networks

January 20, 2012

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Golan v. Holder, U.S. Supreme Court, January 18, 2012

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- U.S. Supreme Court affirms decision of Tenth Circuit holding that federal law restoring copyright protection to foreign works previously in the public domain does not violate Copyright Clause or First Amendment free speech protections.

Petitioners, who formerly had enjoyed free access to foreign works in the public domain, brought suit asserting that Congress, in enacting §514 of the 1994 Uruguay Rounds Agreements Act granting copyright protection to those works, exceeded its authority under the Copyright Clause of the U.S. Constitution and violated their First Amendment rights. The district court granted the government's motion for summary judgment and the Tenth Circuit affirmed in part, holding that Congress had not violated the Copyright Clause, but remanded the case for further proceedings on First Amendment implications in light of the Supreme Court's 2003 decision in *Eldred v. Ashcroft*. On remand, the district court granted summary judgment to petitioners on their First Amendment claim, and on appeal the second time, the Tenth Circuit reversed, ruling that §514 was narrowly tailored to fit the important government aim of protecting U.S. copyright holders' interests abroad. The U.S. Supreme Court affirmed the Tenth Circuit's ruling, holding that Congress had not exceeded its authority under the Copyright Clause and that §514 did not violate the petitioners' First Amendment rights.

Congress enacted the Uruguay Round Agreements Act to bring the U.S. into compliance with The Berne Convention for the Protection of Literary and Artistic Works, a long-standing international treaty to which the U.S. became a signatory in 1989 and which requires, among other things, that member countries protect the copyrighted works originated in other member states unless the works' copyright term has expired in either the country where protection is claimed or the country of origin. Despite being a member country, the U.S. had not extended copyright protection to any foreign copyright-protected work not previously protected in the U.S. prior to 1994, when an additional treaty among the member countries required compliance with The Berne Convention. In enacting §514, Congress applied the term of copyright protection available to U.S. works to preexisting foreign works from member countries. Specifically, §514 grants copyright protection to works protected in their country of origin, but not protected in the U.S., for any of three reasons: (1) the U.S. did not protect works from the country of origin at the time of the works publication; (2) the U.S. did not protect sound recordings fixed before 1972; or (3) the author of the foreign work had failed to comply with statutory requirements for copyright protection –



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for example, failure to comply with notice or registration requirements. Works that had fallen into the public domain because of the expiration of a full copyright term, either their own country or the U.S., do not receive further copyright protection, and those works that are restored acquire copyright protection for the balance of the term they would have enjoyed, but not compensatory protection for the time lost.

Writing for the 6-2 majority, Justice Ruth Bader Ginsburg agreed with the government's arguments, concluding that the law did not exceed the authority of Congress under the Constitution's Copyright Clause. She also ruled the law did not violate First Amendment protections. "In accord with the judgment of the Tenth Circuit, we conclude that §514 does not transgress constitutional limitations on Congress' authority. Neither the Copyright and Patent Clause nor the First Amendment, we hold, makes the public domain, in any and all cases, a territory that works may never exit."

The Supreme Court rejected the petitioners' argument that, in passing §514, Congress had exceeded its authority, holding that the Copyright Clause did not exclude application of copyright protection to works in the public domain. Petitioners argued that the Copyright Clause's language allowing Congress to grant authors exclusive rights to their works "for limited Times" prevented Congress from granting copyright protections once works had entered the public domain. The Court disagreed, finding that the language of Copyright Clause created no such restriction and noting that its 2003 decision in *Eldred v. Ashcroft*, in which the Court upheld the constitutionality of the Copyright Term Extension Act (CTEA) extending by 20 years the terms of existing copyrights, was largely dispositive of the argument. The Court reasoned that the terms afforded works restored by §514 were no less "limited" than those the CTEA lengthened, and noted that, in fact, the terms of restored foreign works were typically shorter than those of U.S. works. Petitioners argued that the limited time of protection for works already in the public domain had already passed, since works previously excluded from U.S. copyright protection had a time limit of "zero." The Court disagreed, finding this argument made little sense and reasoning that a "limited time" of exclusivity must begin before it can end.

The Court noted that historical practice corroborated its reading of the Copyright Clause to permit the protection of previously unprotected works, citing the enactment of the Copyright Act of 1790, and other acts of Congress restoring the copyrights and patents of works and inventions that previously had lost protection.

Petitioners also argued that §514 failed to meet the objective of the Copyright clause to "promote the Progress of Science" because restored protection only to already existing works. The Court disagreed, reasoning that the creation of new works is not the only way that Congress could meet the purpose of the Copyright Clause. The Court rejected a nearly identical argument in *Eldred*, concluding that the Copyright Clause does not require that each provision of copyright law induce the creation of new works, but rather allows Congress to create the regime of intellectual property protection that overall, in that Congress's judgment, serves the purposes of the Clause. Nothing in the text or history of the Copyright Clause requires the conclusion that the "Progress of Science" should only be confined to creation, and historical evidence, past congressional practice, and previous Supreme Court decisions support the conclusion that dissemination of existing works is as appropriate a means to meet the purpose of the clause. The Court concluded that: "Considered against this backdrop, §514 falls comfortably within Congress' authority under the Copyright Clause."

Petitioners also argued that the First Amendment prohibited the restoration of copyright protection under §514. The Court disagreed, again finding its reasoning in *Eldred* compelling. In *Eldred*, the Court held that



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the CTEA's extension of copyright protection did not offend the First Amendment's freedom of expression guarantee. Acknowledging that while some restriction on expression was the inherent and intended effect of copyright protection, the Court reasoned copyright protection was not only for the purpose of limiting the manner in which works are used, but also as an engine of free expression. Copyright law already contained "speech-protective purposes and safeguards" – that protection extends only to the author's expression of an idea, but not the idea itself, and is subject to the fair use defense. As it found with the CTEA in *Eldred*, the Court concluded it need not subject §514 to heightened scrutiny because the provision maintained the protections of the idea/expression distinction and the fair use defenses. The Court also noted that in enacting §514 Congress had specifically adopted measures to ease the transition, especially on those who had relied on those works being in the public domain before the act took effect.

The petitioners attempted to distinguish their case from *Eldred*, arguing that their First Amendment interests were of a "higher order" because they had enjoyed "vested rights" in those works in the public domain and Congress impermissibly took away those rights. The Court disagreed, finding that their claim rested on an argument that it had already rejected – that the Constitution renders the public domain largely untouchable by Congress. "Petitioners here attempt under the banner of the First Amendment what they could not win under the Copyright Clause: On their view of the Copyright Clause, the public domain is inviolable; as they read the First Amendment, the public domain is policed through heightened judicial scrutiny of Congress' means and ends." According to the Court, however, nothing in the historical record, subsequent congressional practice, or its own jurisprudence warranted exceptional First Amendment protection for copyrighted works once in the public domain. Nor was this a case where Congress was attempting to regulate based on content.

The Court also noted §514 that did not impose a blanket prohibition on public access, but rather required would-be users of certain foreign works to pay for their desired use, or limit their exploitation to "fair use." By fully complying with the Berne Convention, Congress ensured that these works, like domestic and most other foreign works, would be governed by the same harmonize copyright regime. In fact, the court noted, §514 placed foreign works in the position they would have occupied if the current copyright regime had been in effect when those works were created and first published.

Charles W. Ross Builder, Inc. v. Olsen Fine Home Bldg., USDC E.D. Virginia, January 9, 2012

 [Click here for a copy of the full decision.](#)

- Following summary judgment in favor of defendants on plaintiff's claims of copyright infringement and violations of the Digital Millennium Copyright Act (DMCA) relating to plaintiff's copyrighted residential building plans, district court grants defendants' motion for attorneys' fees as the prevailing party under the DMCA and denies their motion for attorneys' fees under the Copyright Act.

Following summary judgment in favor of defendants on plaintiff's claims of copyright infringement and violations of the Digital Millennium Copyright Act (DMCA) relating to plaintiff's copyrighted residential building plans, the district court granted defendants' motion for attorneys' fees as the prevailing party under the DMCA and denied their motion for attorneys' fees under the Copyright Act.



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At the outset, the court noted that defendants were the prevailing parties and therefore met the threshold requirement for receiving attorneys' fees under the DMCA. The court then considered the four factors weighing on whether defendants were entitled to an award of attorneys' fees – plaintiff's motive, the reasonableness of the fee, deterrence and compensation, and the ability of the nonmoving party to pay – and concluded that all four factors supported an award of attorneys' fees.

With respect to plaintiff's motive, the court noted that plaintiff had established no evidence whatsoever to support its allegation that defendants removed copyright information from plaintiff's plans in an attempt to pass off the plans as their own. Plaintiff's DMCA claims rested solely on its contention that the plans were substantially similar and the only plausible explanation was that defendants used plaintiff's plans and removed the copyright information. In granting summary judgment, however, the court not only that the two sets of plans were not substantially similar, but that the "myriad differences" between the two established that the defendants had not removed copyright information from the plaintiff's plans.

The court also found that an award of attorneys' fees would support the goals of deterrence and compensation. Plaintiff's DMCA claim was frivolous and should not have been brought, and an award of attorneys' fees would deter future plaintiffs from bringing similar claims where they had no evidence that the defendants had removed copyright information. With respect to the issue of compensation, the court focused on the relative size of the parties, noting that one defendant was owned and operated by an individual, who was the company's sole employee and who performed all of its residential design work. Defendant received \$4,000 for the design of the home and carried no insurance to cover the expenses associated with defending a copyright suit. In comparison, while plaintiff was not a large entity, it employed seven full-time employees and appeared to have resources that appear to substantially exceed those of either defendant. The court also noted that while it asserted claims under the DMCA against two defendants, plaintiff's complaint failed entirely to mention the second defendant in its allegations in support of those claims.

While the court concluded that defendants were entitled to an award of attorneys' fees under the DMCA, it rejected defendants' request for a similar award under the Copyright Act. Under Fourth Circuit precedent, courts consider four sets of factors in determining whether to award attorneys' fees: the motivation of the parties, the objective reasonableness of the legal and factual positions advanced, the need to advance considerations of compensation and deterrence, and any other relevant factors presented.

The court agreed with plaintiff's argument that no evidence existed that it acted in bad faith by bringing its copyright action. Noting that a more appropriate action might have been to contact the defendants and to attempt to resolve the matter prior to filing suit, the court concluded that plaintiff had no legal obligation to do so. Without more, its actions in filing suit did not amount to bad faith. Acknowledging that the Supreme Court has expressly held that the absence of bad faith is not dispositive to an attorneys' fee award, the court considered the additional factors and concluded that they did not support defendants' fee request.

The court found that plaintiff's claims were not objectively unreasonable. Plaintiff's position is frivolous and therefore objectively unreasonable where the court finds the issue of substantial similarity not to be a close or complex question. The court concluded that its determination that most of the elements of



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plaintiff's design were either in the public domain and not protected, or entitled only to "thin" protection, entitling the defendants to prevail on summary judgment, did not render plaintiff's claims patently unreasonable. At the time the court granted summary judgment, the Fourth Circuit had not squarely addressed certain issues raised by plaintiff's copyright suit, and even assuming that it knew or should have known that copyright protection for its plans was limited, plaintiff was entitled to some protection, and its action to enforce the limits of that protection was not unreasonable. The court also noted that, in "stark contrast" to its DMCA claims, plaintiff had an adequate factual basis for its copyright claims and the fact that it ultimately did not prevail on those claims did not render them frivolous or objectively unreasonable. Although it ultimately found that plaintiff's copyright claims lacked merit, the court concluded that the claims were not so utterly lacking in foundation or legal basis that plaintiffs should never have brought its case.

Acknowledging that an award of attorneys' fees to prevailing defendants may deter copyright holders from filing suits without first attempting to resolve the matter outside of court, the court concluded that plaintiff's copyright claims were not such a flagrant attempt to abuse copyright law that they merited the "strong medicine" of an award of attorneys' fees. Such an award, without evidence of bad faith or frivolity, would pave the way for granting fees as a matter of course whenever a copyright holder is defeated on summary judgment, which could potentially chill litigation properly brought to enforce copyright protections. Finally, the court rejected defendants' argument that it should award attorneys' fees because defendants lacked the resources to cover the costs of litigation, holding that while it weighed in defendants' favor, this factor did not tip the scale heavily enough, in light of the other considerations weighing against defendants.

Oracle America, Inc. v. Google Inc., USDC N.D. California, January 9, 2012

 [Click here for a copy of the full decision.](#)

- In copyright and patent infringement action involving Java and Android, district court denies in part defendant's motion to strike plaintiff expert's damages report, holding that calculation of actual damages for copyright infringement using lost license fee approach was not speculative.

Plaintiff owner of copyright in "Java," a software platform, brought suit against defendant owner of Android, a competing software platform designed for mobile computing devices, claiming infringement of its patents and copyrighted works related to incremental improvements to the efficiency and security of the Java system. In support of the alleged damages asserted in the action, plaintiff offered the first expert report of Dr. Iain M. Cockburn, a professor of finance and economics at Boston University. The court rejected Dr. Cockburn's first damages report for failing to apportion the value of the asserted claims and instead using the total value of Java and Android in calculating damages. In its substitute damages report, plaintiff's expert calculated patent and copyright damages using the lost license fee approach, attempting to determine what defendant would have paid to license the use of the copyrights at issue in a hypothetical negotiation with plaintiff. Defendant moved to strike, raising several objections to the revised report, and the court denied the motion, in part, finding, among other things, that plaintiff's calculation of a hypothetical licensing fee was not speculative under the Supreme Court's holding in *Daubert v Merrel Dow Pharmaceuticals, Inc.*



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In objecting to plaintiff's expert report, defendant argued that the hypothetical negotiation approach cannot be used to calculate the lost license fee because any hypothetical negotiation would be excessively speculative under *Daubert* as plaintiff would never license an incompatible version of Java to competitors and would not have done so with defendant. The court disagreed.

In determining the admissibility of plaintiff's expert report, the court noted that an expert witness may provide opinion testimony if (1) the testimony is based upon sufficient facts or data, (2) the testimony is the product of reliable principles and methods, and (3) the witness has applied the principles and methods reliably to the facts of the case. In the context of copyright infringement, instructed the court, the hypothetical license fee approach - what a willing buyer would have been reasonably required to pay to a willing seller for the owner's work - is a non-speculative, factual basis to value a license for an incompatible version of Java. In overruling defendant's objections, the court found that the expert report, which started with the real-world negotiations between plaintiff and defendant for a compatible Java, and thereafter adjusted that amount up to compensate for the incompatibility, was not speculative under *Daubert*.

The court also rejected defendant's contention that plaintiff's report erred by using \$100 million as a starting point for the hypothetical negotiation, instead of \$28 million, which was the amount in a draft agreement proposed by plaintiff in 2006 for a "broad technology partnership" between the parties. Although a jury may eventually reject the premise and reasonable experts could have honest differences of professional opinion on this point, stated the court, the expert's decision not to use the \$28 million draft agreement as the starting point was within the bounds of reason. Similarly, the court found that plaintiff's upward adjustment of his starting point to account for lost conveyed sales that was expected based on contemporaneously created business plans projecting revenue was not improper under *Daubert* because the expert's quantitative analysis was based on sufficiently reliable financial projections.

Although the court previously stated a strong view that the patent hypothetical negotiation should use \$100 million as a starting point and then make adjustments, the court concluded that plaintiff's expert report failed to apportion that \$100 million offer properly between the 26 claims in suit versus all other items in the 2006 offer. The court emphasized that the report failed to account for the fact the modern Android represents some Java know-how, some technology owned by strangers to the litigation, and a fair dose of defendant's own engineering. Accordingly, the court held that the report's opinions on apportionment and calculations based on apportionment should be stricken.

Finally, the court found that the report erred by not separating copyright damages for two categories of copyrighted material asserted in the action: the lines of Android source code and the structure, arrangement, and selection of the Application Programming Interfaces (API). Accordingly, the court held that if defendant is found not liable for infringing the selection, arrangement, and structure of the API packages, then the report's copyright damages analysis would be inapplicable.

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