



# Publications

## CASES OF INTEREST

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### IP/Entertainment Law Weekly Case Update For Motion Picture Studios And Television Networks

December 7, 2011

#### Table of Contents

- [Brownmark Films LLC v. Comedy Partners](#)
- [Hanover Architectural Service, P.A. v. Christian Testimony-Morris, N.P.](#)

**Brownmark Films LLC v. Comedy Partners**, USDC E.D. Wisconsin, November 30, 2011

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

- District court awards defendants attorneys' fees after finding that use of plaintiff's video on the television series "South Park" was a parody protected by the fair-use defense, but reduces amount of fee award to account for plaintiff's financial circumstances.

Plaintiff, the purported copyright owner of the internet music video "What, What (in the Butt)" (WWITB) sued defendants, the creators and producers of "South Park," the animated series on Comedy Central, for copyright infringement. The district court dismissed plaintiff's claims with prejudice, holding that defendants' use of the music video was fair and that their work was protected by that affirmative defense. (Click [here](#) for our summary of the court's decision dismissing the case). Defendants moved for attorneys' fees as the prevailing party under the Copyright Act and, after considering and ruling on various evidentiary objections, the district court granted defendants' motion.

The Copyright Act grants courts discretion to award reasonable attorneys' fees and costs to prevailing parties in civil copyright actions and, under the Supreme Court's decision in *Fogerty v. Fantasy*, the court may look to a number of nonexclusive factors, including the objective unreasonableness of the action, the losing party's motivations for filing or contesting the action, the frivolousness of the action and the need to advance considerations of compensation and deterrence. According to the district court, Seventh Circuit precedent "further refines" the Supreme Court's standard for attorney's fees in copyright cases, holding that the two most important factors are the strength of the prevailing party's case and the amount of damages or other relief the party obtained, and that while plaintiffs and defendants should be treated alike, the presumption in favor of awarding fees to a prevailing defendant is "very strong." Applying the factors discussed by the Supreme Court, taken in conjunction with the Seventh Circuit's presumption in favor of prevailing defendants, the court concluded that defendants were entitled to attorneys' fees and costs.

Defendants' fair-use argument was very strong -- so strong, in fact, that it not only satisfied all four fair-use factors, but the court took the "somewhat rare" step of deciding this case at the motion to dismiss



# Publications

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stage. The court noted that that defendants' work was a "clear" parody, discernible quickly and easily from watching the episode, and was transformative, using the show's own characters and a different recording of the song, even if the words and images were similar. Even with those similarities, the "South Park" work made many changes to the form of the original WWITB video and the use of the original was insubstantial, using only enough lines to conjure up the original. Finally, in granting the motion to dismiss, the court had concluded that the parody of the WWITB video would not usurp the market for the original but, to the contrary, most likely would have spurred demand for the original, making the video's viral spread more rapid after its exposure to a national television audience.

The court also found plaintiff's legal positions objectively unreasonable and its suit frivolous, rejecting plaintiff's position that the "South Park" work was not parody, but satire, requiring a heightened amount of transformation to be considered fair use. Not only was the "South Park" video a parody, but defendants did substantially transform the original. Rather than copying the original video and inserting it into the "South Park" episode, defendants created a video that purposefully mocked the obscure images and song of the original, in an attempt to poke fun at the original, its viral popularity, and internet crazes as a whole. While it may have been intended partially as satire, the "South Park" work clearly encompassed elements of parody, and given the transformative nature of the use and the lampooning of plaintiff's original, the court found "ample reason" to believe that defendants' use would have spurred the market for the original. The court also found plaintiff's motivation in filing the suit was questionable, noting that plaintiffs waited nearly two years to file suit and only after repeated attempts to "extract" a licensing fee using the threat of litigation against the defendants.

Noting that defendants were sophisticated business entities with worldwide connections and plaintiff was a very small company that could hardly bear the same costs as the defendants, the court reasoned that it must balance protecting the rights of defendants to parody others' works without facing unreasonable legal claims with the possibility that "imposing financial ruination on a small company, like Brownmark, for an attempt to protect its rights might result in similarly situated plaintiffs with stronger claims refraining from enforcement." Despite this potential result, however, the court concluded that an award of attorneys' fees would deter future frivolous actions. Addressing the risk of keeping small plaintiffs out of court, the court noted: "[F]irst, that as important as those plaintiffs' artistic rights may be, the freedom of speech is perhaps of greater concern; and, second, that plaintiffs will not be subject to these fees if they engage in meaningful settlement talks before bringing their suit, work to resolve the case without court intervention, and reasonably consider the defendants' potential defenses."

After reviewing the defendants' fee submissions and the plaintiff's objections, the court determined that \$31,525.23 was a reasonable fee amount and then exercised its discretion to reduce the fee to take into account plaintiff's small size and ability to pay. The court directed plaintiff to submit financial documentation, as well as a statement and calculation regarding the fees it believes it is able to pay without causing bankruptcy.



# Publications

## CASES OF INTEREST

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**Hanover Architectural Service, P.A. v. Christian Testimony-Morris, N.P.**, USDC D. New Jersey, November 29, 2011

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

- District court denies defendants' motion to dismiss plaintiff's copyright infringement and DMCA claims related to copyrighted architectural design plans, holding that defendants failed to demonstrate that they had an implied nonexclusive license to use the plans and that copyright management information (CMI), the removal or alteration of which is prohibited by the DMCA, is not limited to components of automated or technological copyright protection or management systems.

Defendants, a church and its building committee, hired plaintiff Hanover Architectural Service, an architectural firm, to prepare a design and plans for the conversion of an existing warehouse into a church. The parties' agreement provided that Hanover would evaluate whether the warehouse could be converted into a church and provide designs for the proposed building and its electrical, plumbing and fire protection systems. After defendants advised that they would not retain Hanover to oversee the warehouse conversion, Hanover registered a copyright for its designs of the building conversion project as "architectural work," and advised defendants that its designs were copyright protected and could not be used or modified without a written agreement or payment of licensing fees. Counsel for the church advised Hanover that the church had exclusive rights in the renovation plans prepared by Hanover and other design professionals and because Hanover's designs were insufficient for the town to award all the necessary construction permits, the church would not be using Hanover's designs for the project.

After the project was complete and Hanover obtained a copy of the final designs, Hanover sued the church for, among other things, copyright infringement and violation of the Digital Millennium Copyright Act (DMCA). The church moved to dismiss, arguing, among other things, that Hanover had not stated a claim for copyright infringement or violation of the DMCA and that the church had an implied nonexclusive license to use Hanover's drawings.

The court denied defendants' motion to dismiss Hanover's copyright infringement and DMCA claims. First, the court held that Hanover had properly pleaded copyright infringement, in that it alleged that it owned the copyrights to its designs, that the designs were registered, and that defendants infringed the copyright by copying the designs and using them in the warehouse conversion project.

Second, defendants did not adequately establish an implied nonexclusive license to use the plans. An implied nonexclusive license exists where (1) the licensee requests the creation of a work, (2) the licensor delivers the work to the licensee, (3) the licensor intends that the licensee copy and distribute the work. The court found that Hanover did not intend for the church to use or distribute the designs because the agreements entered into between the parties were for the purpose of the church obtaining a variance and complying with building codes, and Hanover had advised the church that the designs could not be otherwise used without an agreement and payment of a licensing fee.



# Publications

## CASES OF INTEREST

LOEB & LOEB adds Depth.

Third, the court found that Hanover had adequately pleaded that the church violated Section 1202(b) of the DMCA, in that it removed or altered copyright management information (CMI) from the designs knowing, or having reason to know, that it would facilitate or conceal copyright infringement. The church argued that the designs did not contain CMI because the designs contained no “automated copyright protection or management system[,]” [which] . . . are “technological measures that can control access and reproduction of works, and thereby manage the rights of copyright owners and users.” Acknowledging that the church’s definition of CMI was derived from the legislative history of the DMCA, the court followed the definition of CMI adopted by the Third Circuit, which included the types of information contained in Section 1202(c) such as information identifying the author of a work, without regard to whether the information is part of an automated copyright protection or management system.

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