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Recent Developments

**RECENT DEVELOPMENTS IN COPYRIGHT LAW**

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### **\*164 I. Introduction**

This article reports recent developments in copyright law by examining and reporting the cases published in the United States Patent Quarterly from August 2001 until and through July 2002. It errs on the side of inclusiveness, reporting whatever developments have occurred in the last year.

During this period, the “hackers” first challenges to the anti-circumvention provisions of the Digital Millennium Copyright Act are reported in the cases of Russian software developer Dmitri Skylarov and DeCSS DVD decryption software (see Section VII).

Also, the Eleventh Circuit handed down its full ruling disposing of the preliminary injunction against the publication of “The Wind Done Gone” (see Section V), finding it likely to be a parodic fair use.

A number of cases also reflect the tension between “new-media” broadcasters (internet streamers and broadcasters) and the RIAA. This battle is just now taking shape on the judicial, legislative, and public-opinion fronts (see Section “New Uses” and Scope of License).

## **\*165 II. Formalities and Originality**

### **A. Originality**

In *County of Suffolk v. First American Real Estate Solutions*,<sup>1</sup> the Second Circuit considered whether governmental “tax maps” could be protected by copyright in view of a number of novel arguments made by the defendant. In accordance with statutory mandate, Suffolk County, New York created and maintained “tax maps” of the county in conjunction with maintaining and making available its property tax records. The defendant, a private business, reproduced and sold these maps on CD-ROM without Suffolk County’s permission.<sup>2</sup>

Suffolk County sued for copyright infringement, and the defendant moved to dismiss the complaint arguing: 1) New York’s Freedom of Information Law (FOIL) abrogated the copyrights; 2) a state or state’s political subdivision (like the federal government) cannot own copyrights; and 3) as works prescribed by statute, the maps lacked sufficient originality to be protected by copyright and were in the public domain from inception.<sup>3</sup> The district court agreed with the defendant, dismissing Suffolk County’s complaint.

On appeal, the Second Circuit reversed the district court, holding that by failing to proscribe state governmental entities from owning copyrights, in 17 U.S.C. § 105, Congress implicitly permits them to own copyrights.<sup>4</sup>

The court also found that the tax maps possessed the requisite degree of originality, at least as a threshold matter, to entitle them to copyright protection.<sup>5</sup> The defendant also argued that, similar to statutes and judicial opinions, the tax maps were in the “public domain from inception.” The court again disagreed, noting that authorities holding matter in the public domain from inception focused on two factors: (1) whether a copyright incentive to create the works is implicated (i.e. does copyright provide an incentive for their creation or is there another incentive); and (2) whether the public is entitled to unfettered access to the works to satisfy the “notice” requirement of due process.<sup>6</sup> Analyzing these factors, the court found that although there seemed to be no need to incentivize creation of tax maps with copyright, it could not go so far as to create a blanket rule that such maps were thus injected into the public domain at inception. Similarly, the tax maps were not the \*166 means of property taxation but merely prepared adjunct to the statute creating the tax obligation. Thus, the notice requirement of due process is satisfied by the statute itself, and there is no due process need to declare such works in the public domain at inception.<sup>7</sup>

As to FOIL, which orders governmental entities to make all records available to the public for inspection and copying, the court found that no legislative intent to abrogate state entities’ copyrights and that the broad statement of intent to broaden access to government records simply did not show an intent to abrogate the copyrights of New York’s state entities.<sup>8</sup> The court found no great inconsistency between the mandate to make records available for inspection and copying and the exclusive reproduction right inherent in copyright protection of the maps, noting that legitimate use of copies by a citizen would be subject to the fair use defense without regard to FOIL.<sup>9</sup>

### **B. Registration as Prerequisite to Suit**

In *Murray Hill Publications, Inc. v. ABC Communications, Inc.*,<sup>10</sup> the Sixth Circuit, in a question of first impression for that court (and possibly for all courts), held that a derivative work must be registered as a prerequisite for suit, even when the underlying work is registered and the authors are the same.

The plaintiff owned a copyright in a song entitled “Jeannette” that was lyrically rewritten for the use of a popular Detroit radio personality. After the personality’s death, the plaintiff sued the personality’s radio station for its continued and allegedly unlicensed use of the song and some lyric fragments, alleging copyright infringement in the rewritten derivative work and a number of state-law causes of action.

The Sixth Circuit, after reviewing precedents from other circuits,<sup>11</sup> formulated a new rule that allegations of infringement of a

derivative work must be supported by a registration for that derivative work.<sup>12</sup> This is the case even when the authorship of the derivative work and underlying work are the same (which begs the question in this case why the plaintiff did not assert the underlying work as \*167 well). Thus, the district court correctly dismissed the copyright claim as lacking subject-matter jurisdiction.

The other copyright claims were dismissed because the subject of the copyrights lacked sufficient originality.<sup>13</sup> The state-law causes of action for conversion, unjust enrichment or quasi-contract, and quantum meruit were properly held preempted by the Copyright Act under a conventional elements-and-relief analysis.<sup>14</sup>

### **C. Scope of Registration for Derivative Works**

In *Morris v. Business Concepts, Inc.*,<sup>15</sup> the Second Circuit considered whether an author's licensee is a copyright owner and whether that licensee's registration extends to the constituent work contained within. The plaintiff brought a copyright infringement claim and argued that her licensee's registration of the collective works extended to all of the author's work.<sup>16</sup>

The court analyzed whether registration by either the author or her exclusive licensee, for purposes of the copyright statute,<sup>17</sup> could cover the rights of the other. The court used the Copyright Office interpretations as authority in concluding that the licensee's registration of the collective works did not satisfy the statute's requirements when the plaintiff-author did not register her works separately.<sup>18</sup>

The court held that "unless the copyright owner of a collective work also owns all the rights in a constituent part, a collective work registration will not extend to a constituent part."<sup>19</sup> Although the Copyright Office has no authority to give legal opinions, the court gave it some deference given the agency's experience and information it has available on the topic.<sup>20</sup> The Copyright Office regulations are designed "to make clear that the copyright claimant for purposes of copyright registration is the author of the work for which registration is sought of a person that has obtained ownership of all rights under the copyright initially belonging to the author."<sup>21</sup>

\*168 In light of the statute and regulations, the Second Circuit concluded that the plaintiff's licensee failed to satisfy the requirements for copyright ownership of the constituent works and denied her petition for rehearing.<sup>22</sup>

### **D. Deposit Requirement**

In *Coles v. Wonder*,<sup>23</sup> the Sixth Circuit considered whether the copy of an original work deposited by a copyright applicant must be made with reference to the original work to establish a copyright date earlier than the date of application.<sup>24</sup> The district court granted summary judgment to the defendant and found that the plaintiff's position that the defendant made unlawful use of his copyright song was incorrect.<sup>25</sup>

In September 1990, the plaintiff applied for copyright registration for the song *For Your Love*.<sup>26</sup> The application specified that the song was completed in 1984, but the recording of the song was deposited with his application in 1990.<sup>27</sup> The defendant, long time recording artist Stevie Wonder, released a song called *For Your Love* in 1995.<sup>28</sup> The defendant acquired a publishing copyright of the song in 1984 and was involved in a numerous recordings of the song in the 1980s.<sup>29</sup> The defendant argued that the plaintiff failed to obtain a valid copyright of the 1980s's recordings because the plaintiff's application in 1990 was a reconstruction rather than a copy of the earlier recording.<sup>30</sup>

Under copyright law,<sup>31</sup> there is a distinction between a bona fide copy and a reconstruction.<sup>32</sup> Any copy deposited as part of an application for a certificate of copyright registration must be virtually identical to the original and must have been produced by directly referring to the original.<sup>33</sup>

\*169 The Ninth Circuit held that the plaintiff did not refer to the original work when he deposited the production of the recording of *For Your Love* with his copyright application.<sup>34</sup> Further the court held that the 1990 recording was to be viewed as a reconstruction rather than a copy, and therefore, affirmed the district court's granting of summary judgment because the plaintiff could not satisfy the deposit requirements of § 408.<sup>35</sup>

The Ninth Circuit also affirmed the district court's award of attorney's fees to the defendant.<sup>36</sup> The court pointed out that such

fees are subject to the trial court's discretion and that reversal would be inappropriate given the district court's exercise of discretion.<sup>37</sup>

### E. Restoration of Copyright

In *Dam Things from Denmark v. Russ Bernie & Co.*,<sup>38</sup> the Third Circuit considered whether the plaintiff, a Danish company, could establish that its copyright in the "Basic Good Luck Troll" qualified as a restored work under copyright law<sup>39</sup> and that the defendant, a United States manufacturer, infringed its restored copyright. Further, even if the trolls were properly restored, the court had to determine if the defendants qualified for safe harbor protection as a derivative work provided by 17 U.S.C.S. § 104A for restored works.

The District of New Jersey held that the plaintiff could establish that its trolls were restored and issued a preliminary injunction stopping the defendant from selling any trolls after February 13, 2002.<sup>40</sup> The defendant argued that the plaintiff's troll failed to qualify for copyright restoration because the plaintiff abandoned its copyright.<sup>41</sup> The Third Circuit found that the district court correctly determined that the plaintiff could establish that the troll copyright was not abandoned and qualified for restoration. The court noted that the plaintiff met all four eligibility requirements for restoration.<sup>42</sup> First, the copyright had not expired in Denmark, its source country.<sup>43</sup> Second, it was in the public domain in the United States because \*170 of a failure to comply with formalities.<sup>44</sup> Third, the author of the work was a national of Denmark, an eligible country.<sup>45</sup> Finally, the work was first published in Denmark not less than thirty days prior to being published in the United States.<sup>46</sup>

Abandonment only occurs if the copyright owner has the intent to surrender the rights to his work.<sup>47</sup> The court found no acts sufficient to suggest that plaintiff intended to abandon its copyright under United States copyright law.<sup>48</sup>

In light of the court finding that the plaintiff had restored its copyright and could establish a valid copyright infringement by defendants, the court considered whether the safe harbor provision for derivative works was applicable.<sup>49</sup> An author's right to protection of a derivative work only extends to the additional elements that he has added to the work and not for the underlying work itself.<sup>50</sup> If the underlying work has copyright protection, then the defendant is a copyright infringer; however, copyright law has created an exception to this rule.<sup>51</sup> Under copyright law, the creator of a derivative work is given a special exemption and is treated as a licensee as opposed to an infringer.<sup>52</sup> Since the district court did not correctly examine the test for infringement with derivative works and failed to consider the possibility of the defendant's qualification as a licensee, the Third Circuit remanded the case for further consideration consistent with its opinion.<sup>53</sup>

In *Cordon Holding B.V. v. Northwest Publishing Corp.*,<sup>54</sup> the Southern District of New York considered whether works from the Netherlands that had fallen into the public domain had qualified as restored works under copyright law.<sup>55</sup> The plaintiff claimed they owned all the copyrighted works of Dutch graphic artist M.C. Escher and alleged that defendants unlawfully sold reproductions of Escher's works in violation of copyright laws.<sup>56</sup>

\*171 The defendants admitted to copying the art reproductions but filed a counterclaim stating that the works in question are in the public domain; thus, none of plaintiff's rights were infringed.<sup>57</sup> The plaintiff claimed that they owned and continue to own the rights to the Escher works.<sup>58</sup> Secondly, the plaintiff argued that even if the works entered the public domain, the copyright was restored.<sup>59</sup> The court found that the publication of art reproductions without the required copyright notice caused the works to fall into the public domain but did find that the works were eligible as restored works.<sup>60</sup>

Since the works in question were created before the date of the 1976 Copyright Act,<sup>61</sup> they are controlled by the Copyright Act of 1909.<sup>62</sup> Under the 1909 Act, a creator could "secure copyright for his work by publication thereof with the notice of copyright" affixed to each copy published.<sup>63</sup> "If a work was published without a valid copyright notice, however, the work irretrievably entered the public domain."<sup>64</sup>

The sole question then becomes whether the Escher works qualify as "restored works."<sup>65</sup> To qualify as a restored work under Section 104A, the work must: (1) not be in the public domain in the source country through the expiration of the term of protection; (2) be in the public domain in the United States due to noncompliance with copyright law formalities; and (3) have at least one author who was a national or domiciliary of an eligible country at the time the work was completed.<sup>66</sup> In the case at bar, the plaintiff's works were able to meet all three conditions imposed by the statute and, thus, qualified as restored works.<sup>67</sup>

First, under Dutch law, the copyright term is the artist's life plus seventy years.<sup>68</sup> Escher died in 1972; therefore, the Dutch copyright will not expire until \*172 2042.<sup>69</sup> Second, the works were in the public domain because plaintiffs did not comply with the United States copyright law formality of proper notice.<sup>70</sup> Finally, the Netherlands is an eligible country adhering to the Berne Convention.<sup>71</sup>

### III. Ownership and Transfer

#### A. Authorship

In *Medforms, Inc. v. Healthcare Management Solutions, Inc.*,<sup>72</sup> the Second Circuit heard an appeal from the plaintiff, a software developer, whose copyright suit was dismissed by the Southern District of New York. The defendants, a software reseller and a software distributor, were accused of copying two of the plaintiff's computer programs but counterclaimed that they owned the copyrights in question.<sup>73</sup> The district court found that the defendants presented more than sufficient evidence to refute the plaintiff's claim of copying their registered programs because the defendants were authors of the joint work as well, and the plaintiff appealed.<sup>74</sup>

On appeal, the plaintiff argued, among other things, that the district court applied the wrong standard for copyright authorship and that it was entitled to judgment as a matter of law because it had valid copyright registration.<sup>75</sup> A copyrightable work must be original and fixed in a tangible medium of expression.<sup>76</sup> Originality "means that the work owes its creation to the author."<sup>77</sup> Since the evidence showed that the plaintiff was not the original author of the computer programs, the Second Circuit rejected plaintiff's argument and affirmed the district court on this issue.<sup>78</sup> The plaintiff's argument that it was entitled to judgment as a matter of law was also dismissed by the court because authorship is generally a question of fact for the jury.<sup>79</sup>

\*173 The court held that while generally only one copyright registration can be made for the same version of a particular work, the copyright regulations do authorize later registration by an author of a joint work where an earlier registration identifies only another author.<sup>80</sup> The Second Circuit affirmed the district court's denial of plaintiff's claim but remanded for clarification of the district court's dismissal of the defendants' counterclaims.<sup>81</sup>

#### B. Nonexclusive Transfers

The Ninth Circuit considered the scope of the license implied in a relationship between an architectural engineering consulting firm and its client when the firm delivers plans to the client.<sup>82</sup> The defendants hired the plaintiff to create a "preliminary Concept Development Plan" for a 45.5 acre shopping center project.<sup>83</sup> Although paid \$175,000 for its services, when the plans were used by another firm in the construction of the project, the plaintiff sued for copyright infringement as a result of the reproduction, adaptation, and publication of the plans originally prepared by the plaintiff.<sup>84</sup>

The contract between the plaintiff and defendants was silent as to copyright, as seems to be the usual case.<sup>85</sup> The Ninth Circuit, citing its decision in *Effects Assoc. Inc. v. Cohen*,<sup>86</sup> had no trouble holding that a nonexclusive license could be implied without a specific writing.<sup>87</sup>

Nevertheless, the scope of the nonexclusive license was at issue here. Because the plaintiff asked the court to consider evidence extrinsic to the contract, the court had to consider whether to apply the parol evidence rule and whether federal law or California law, as specified by the contract, would control this inquiry.<sup>88</sup>

Answering that it would apply the California parol evidence rule, the court found that it is customary to employ state law to fill gaps in federal statutes, and that the California parol evidence rule did not conflict with federal copyright law because, given the lack of emphasis on nonexclusive transfers, ascertaining the intent \*174 of the parties with extrinsic evidence did not offend copyright policy.<sup>89</sup> Thus, the court considered the plaintiff's extrinsic evidence. A legend<sup>90</sup> on the drawings did not evidence an intent to restrict the right to reproduce the drawings, despite requiring the plaintiff's written permission to "use" the proprietary elements of the drawings, according to the Ninth Circuit.<sup>91</sup>

Similarly, a provision imposing indemnity liability in the event the drawings were changed without written permission did not evidence an intent to restrict the right to adapt the drawings in the view of the court.<sup>92</sup>

A clause stating that original drawings would remain with the plaintiff was no help either inasmuch as it dealt with the physical originals, not with the copyright or the copies provided to the defendant.<sup>93</sup>

The court also dismissed the plaintiff's argument that the defendant did not have the right to publish the drawings in question by filing them with the city.<sup>94</sup> That right was granted explicitly in the written contract [although presumably it assumed that plaintiff would remain the engineering firm of record]. Nevertheless, the court would not take away what the contract granted.<sup>95</sup>

Finally, the plaintiff argued that the anti-assignment provision prevented any implied license granted from being assigned to another party without its consent.<sup>96</sup> The Ninth Circuit dismissed this argument as well, stating that under California law, such a clause did not affect the validity of the assignment;<sup>97</sup> it only gave rise to a cause of action for breach of contract against the assignor.<sup>98</sup>

Accordingly, the summary judgment that the implied license did not prohibit any of the activity engaged in by defendants was affirmed.<sup>99</sup> Judge Alex Kozinski filed a concurring opinion agreeing with the result but taking the majority to task \*175 for answering questions neither posed by the parties nor briefed.<sup>100</sup> In Judge Kozinski's view, parol evidence is appropriate only when there is an express contract, which there was not.<sup>101</sup> Accordingly, all of the choice of law analysis was surplusage; there simply was nothing in the conduct of the parties that circumscribed the implied license as the plaintiff wished.<sup>102</sup>

### **C. "New Uses" and Scope of License**

In *Random House, Inc. v. Rosetta Books LLC*, the Second Circuit considered whether the defendant-seller of "ebooks" should be enjoined from selling novels whose authors had granted the plaintiff-publisher an exclusive license.<sup>103</sup> The Southern District of New York denied the plaintiff's preliminary injunction seeking to enjoin the defendant, and plaintiff appealed.<sup>104</sup>

The plaintiff argued that an "ebook" was merely a form of a book and, thus, within the scope of its publisher licenses.<sup>105</sup> The Second Circuit affirmed the district court's finding that the determination of whether the licenses covered ebooks depended on fact-finding with regard to the new and evolving technical uses of the ebook and the reasonable expectations of the parties at the time of contracting.<sup>106</sup> Furthermore, the court agreed that the plaintiff could not establish his likelihood of success on the merits to warrant an injunction against the defendant.<sup>107</sup>

As to the balance of hardships, the court found in the defendant's favor because the plaintiff-publisher's primary fear was harm to its goodwill, while the defendant-seller faced the imminent probability of being put out of business by a preliminary injunction.<sup>108</sup> The court noted that if the plaintiff ultimately succeeded on the merits, they could recover any damages resulting from lost sales.<sup>109</sup>

### **D. Licensing Organizations**

In *United States v. Broadcast Music, Inc.*, Broadcast Music, Inc. (BMI) challenged licensing terms set by the district court for the Southern District of New York pursuant to a "rate court" modification to the 1941 consent decree between the government and BMI as a result of the antitrust litigation.<sup>110</sup>

Several parties at an impasse in negotiations with BMI for licenses applied to the Southern District for rate setting for a "blanket license" subject to "carve-outs" (rate reductions when licenses for certain works are negotiated directly with owner) and a "per piece license."<sup>111</sup> The rate setting court was also asked to determine whether copyright owners could reject the rate applied to a per-piece license.<sup>112</sup> BMI contended that the district court was not authorized to "create" new licenses (i.e., blanket licenses with carve outs and per-piece) and set rates accordingly under the consent decree.<sup>113</sup> The district court agreed with BMI that it was not empowered by the decree to set rates on blanket licenses with carve outs, disagreed on the same issue with respect to the per-piece licenses, and declined to rule on copyright owner's "veto" rights as requiring an advisory opinion.<sup>114</sup>

Noting that the consent decree was basically an agreement, the Second Circuit construed it as if it would a contract and reviewed the district court decision *de novo*.<sup>115</sup> With the premise that BMI has always granted blanket licenses, the Second

Circuit characterized carve outs for royalty reduction as a fee-setting issue rather than an issue changing the essential character of the license as BMI argued.<sup>116</sup> Accordingly, it reversed the district court on this issue.<sup>117</sup> As to the per-piece license, the Second Circuit agreed with the district court that BMI is required to offer such a license by the decree.<sup>118</sup> As to the language in the decree requiring the copyright owner's consent to such a license, again the Second Circuit found this to require consent to the royalty, not the grant of the license itself.<sup>119</sup>

Finally, because no copyright owner had objected to a per piece license, the Second Circuit agreed that the issue was not ripe for decision and any ruling would constitute an advisory opinion.<sup>120</sup>

## **\*177 E. Compulsory Licenses/CARP/Broadcasting Issues**

### **1. Scope of HFA/Compulsory License**

The Southern District of New York considered a Recording Industry Association of America (RIAA)-affiliated online music provider's "end around" the copyright holder's rights in *The Rodgers & Hammerstein Org. v. UMG Recordings, Inc.*<sup>121</sup> The plaintiffs, music publishers and songwriters, sued The Farm Club Online, Inc. and its parent company, UMG Recordings, Inc., for its streaming of copyrighted compositions from its website.<sup>122</sup>

The defendant parent company was licensed by the Harry Fox Agency to produce recordings (CDs, LPs and audiocassettes).<sup>123</sup> After being accused of infringement for streaming these works, UMG Recordings, Inc. applied for a Harry Fox license, which is a negotiated license in lieu of a compulsory or "mechanical" license under § 115 of the Copyright Act.<sup>124</sup> However, when UMG Recordings, Inc. applied to Harry Fox it noted the unclear status of streaming and online delivery and stated its willingness to pay royalties if the mechanical license provisions of § 115 were held to apply to streaming broadcasts.<sup>125</sup>

The defendants argued that: (1) they were "automatically" licensed under § 115 as a result of having applied to Harry Fox; (2) the Harry Fox licenses were not confined by their terms; and (3) the Harry Fox licenses for conventional media covered the streaming broadcasts.<sup>126</sup> The district court judge rather rapidly disposed of these "strained" arguments.

With regard to the defendants' argument that they were automatically licensed as a result of having sent statutory notification of a compulsory license under § 115, the court noted that they did not send such a statutory notice: they requested a license from Harry Fox Agency on different terms from those provided by the § 115 mechanical license.<sup>127</sup>

The defendants also argued that the licenses provided by Harry Fox were not agreed to, and the defendants thus were not bound by the literal terms, which specified the sound recording and the format in which reproductions could be made (e.g., CD, LP, audiocassette).<sup>128</sup> The court disagreed, stating that the acknowledgment \*178 signed by defendants was of receiving the license and acknowledging its terms, thus creating a binding contract.<sup>129</sup> Furthermore, the court held that the license given by Harry Fox was limited in scope to its literal terms, citing *Fred Ahlert Music Corp v. Warner/Chappell Music, Inc.*<sup>130</sup>

Finally, the court disposed of the argument that any license from Harry Fox would effectively license streaming broadcasts, in which copies of a sound recording are loaded on a web server and transmitted to listeners.<sup>131</sup> The court noted that § 115 provides:

[a] person may obtain a compulsory license only if his or her primary purpose in making phonorecords is to distribute them to the public for private use.<sup>132</sup> While this might authorize delivery of phonorecords over the internet, the court found that that was not what the defendants did: the only copies made were for the purpose of streaming, not distribution to the public.<sup>133</sup>

Thus, the court disposed of a disingenuous attempt by a member of the RIAA to bend the copyright law to its benefit.

### **2. Webcasters as Broadcasters**

In *Bonneville Int'l Corp. v. Peters*,<sup>134</sup> broadcasters challenged an administrative ruling by the Copyright Office<sup>135</sup> (made partly at the behest of RIAA) that streaming broadcasts offered by duly licensed "traditional" broadcasters are not exempt from the



limited performance right of § 114, as amended in 1995.<sup>136</sup> The Eastern District of Pennsylvania affirmed the ruling.

The broadcasters argued that the practice of “streaming” AM/FM broadcasts over the internet were exempt from the public performance right as “nonsubscription broadcasts” under § 114 of the Act and that they were similarly entitled to make ephemeral recordings under § 112 without paying further royalties.<sup>137</sup>

The court first traced the relatively recent history of the limited public performance right for sound recordings, which was created by the Digital Performing **\*179** Rights Act of 1995 and refined by the Digital Millennium Copyright Act.<sup>138</sup> In view of the ambiguity in the statute (at least as it pertains to streaming), the court found that Congress implicitly authorized the Copyright Office to make rules and interpretations in the broadcast arena and, thus, the Office did not exceed its rulemaking authority in this case.<sup>139</sup> The court went on to analyze the soundness of the ruling under the deferential standard applicable to such administrative rulings.<sup>140</sup>

While AM/FM broadcasters streaming simulcasts would seem to be providing “nonsubscription broadcast transmissions,” as that term is used in § 114, the court found that the definition of broadcast transmission and the rights to make ephemeral recordings necessary for streaming are inconsistent with this literal reading.<sup>141</sup> Accordingly, both the Copyright Office and the district court agreed that Congress left ambiguity as to whether that phrase would exempt streaming.<sup>142</sup> Additionally, the legislative history of the DMCA, which removed any exemption in § 114 for “webcasting,” indicated no ground for distinguishing between webcasting, which clearly is not exempted from the performance right, from streaming.<sup>143</sup> Finally, the court found that public policy favored the recording industry over the freedom of internet broadcasters; therefore, the Copyright Office ruling was supported in that respect as well.<sup>144</sup>

Thus, the district court concluded that the Copyright Office ruling was not only reasonable, but it was the only ruling that could be made given the vagueness of the statutes and legislative history and the conflicts that would result if the interpretation urged by the broadcasters were adopted.<sup>145</sup> Chalk up another victory for the recording industry in its “war” against “internet broadcasters.”

## **IV. Infringement**

### **A. Factual Works**

The Eighth Circuit considered substantial similarity in the context of factual compilations in *Schoolhouse, Inc. v. Anderson*.<sup>146</sup> At issue was a compilation of school district information created and sold by the plaintiff and a similar work created by a realtor and used on a web site to evaluate the desirability of home locations **\*180** by school district.<sup>147</sup> The defendant did not contest the originality of the plaintiff’s work or the validity of the plaintiff’s copyright.<sup>148</sup>

Acknowledging the “thin” copyrightability of factual compilations, the court moved to a two-part analysis of similarity comprised of extrinsic or objective similarity and then the intrinsic or subjective similarity.<sup>149</sup> Although 56 of the 64 headings of the copyrighted work appeared in the accused work, the extrinsic similarity was not of sufficient similarity to prove infringement.<sup>150</sup> The similarity of the topics could easily be attributed to the nature of the work and were “obvious” and unoriginal headings, e.g., “Athletics,” “Classes Offered,” and “Certified Staff.”<sup>151</sup> Nor was the grouping or arrangement of the topics sufficiently similar to support a finding of infringement.<sup>152</sup> Accordingly, the Eighth Circuit affirmed the district court’s grant of summary judgment of non-infringement.<sup>153</sup>

In *Jacobson v. Deseret Book Company*,<sup>154</sup> the Tenth Circuit contemplated whether the defendant, a fiction writer, had copied a substantial portion of the plaintiff’s autobiography to constitute copyright infringement. The plaintiff was a prisoner of war in the Philippines and Japan during World War II. After returning home, he wrote a personal memoir detailing his survival of the Bataan Death March and various other tortures he endured.<sup>155</sup> In 1997, the defendants published the first of a fictional five-volume series which closely resembled the plaintiff’s memoir.<sup>156</sup> The plaintiff filed a complaint against the defendants seeking injunctive relief and damages for copyright infringement under 17 U.S.C. §§ 106 and 501, but the District of Utah granted summary judgment for the defendant because the allegedly copied portions were not of any protectable aspects of the memoir.<sup>157</sup>

On appeal, the Tenth Circuit analyzed the substantial similarity between the legally protectable elements of the plaintiff’s

original work and the defendant's allegedly infringing work.<sup>158</sup> The court used the Supreme Court's analysis in *Harper & Row Publishers v. Nation Enterprises*<sup>159</sup> for guidance on the issue of verbatim copying. *Harper & Row* involved an article which contained verbatim quotes of President Ford's memoirs.<sup>160</sup> The Supreme Court held that even though President Ford's memoir was a factual work, the magazine's verbatim copying appropriated original expression and qualified as copyright infringement.<sup>161</sup>

In light of the Supreme Court's scrutiny in *Harper & Row*, the Tenth Circuit held in *Jacobson* that the dialogue in the plaintiff's autobiography was protected original expression and not unprotected facts.<sup>162</sup> The court found enough original expression copied by the defendant to justify a jury's determination on whether the works were substantially similar.<sup>163</sup> Therefore, the Tenth Circuit reversed the district court's grant of summary judgment in favor of the defendants.<sup>164</sup>

## **B. Architectural Works**

In *Sturza v. United Arab Emirates*,<sup>165</sup> the District of Columbia Circuit considered whether competing architectural designs for a new embassy were substantially similar to constitute copyright infringement. In 1993, the United Arab Emirates (UAE) held a competition for the architectural design of their new embassy to be built in Washington, D.C.<sup>166</sup> The plaintiff and the defendant both submitted designs and the UAE announced that the plaintiff had won.<sup>167</sup> After contract negotiations and repeated design revisions, the UAE chose not to sign an agreement with the plaintiff.<sup>168</sup> Instead, the UAE contracted with the defendant to use a revised version of his design, which the plaintiff alleged was a copy of her design.<sup>169</sup>

The plaintiff filed suit in the District of Columbia against the defendant and the UAE for, among other claims, copyright infringement, breach of contract, and quantum meruit; however, the district court granted summary judgment for the defendants on those three claims.<sup>170</sup> On appeal, the D. C. Circuit analyzed plaintiff's \*182 copyright claim to determine if the defendant actually copied the plaintiff's work, and if so, to determine whether the defendant's work was "substantially similar" to protectable elements of the plaintiff's work.<sup>171</sup>

The substantial similarity inquiry consists of identifying which aspects of the plaintiff's work are protectable by copyright and whether the infringing work is "substantially similar" to protectable elements of the plaintiff's work.<sup>172</sup> As the Second Circuit explained in a previous case, "[t]he question, therefore, is whether defendant took from plaintiff's works so much of what is pleasing to the . . . lay audience . . . that defendant wrongfully appropriated something which belongs to the plaintiff."<sup>173</sup>

In addition, the court noted that because substantial similarity is a close question of fact, summary judgment has traditionally been looked down upon in copyright cases.<sup>174</sup> The D.C. Circuit held that the defendant's design, though different in some ways from the plaintiff's, was sufficiently similar to its individual elements and overall appearance for a reasonable jury to determine that they were substantially similar.<sup>175</sup> Since substantial similarity was found and because summary judgment is frowned upon in copyright litigation,<sup>176</sup> the D.C. Circuit reversed the grant of summary on the copyright infringement claim.<sup>177</sup>

## **C. The Ninth Circuit's Intrinsic/Extrinsic Similarity Test**

In *Cavalier v. Random House, Inc.*,<sup>178</sup> the Ninth Circuit applied the "extrinsic test" to determine the alleged copyright infringement of children story books. The plaintiffs created works involving several characters featured in children's stories and copyrighted these works from 1992 to 1995.<sup>179</sup> From 1995 to 1998, the plaintiffs submitted hundreds of pages, including their copyrighted works, to defendants, who were a television network and two publishing companies.<sup>180</sup>

\*183 After numerous meetings between the parties, defendants rejected plaintiff's works.<sup>181</sup> In February 1999, defendants published various books that the plaintiff alleged contained artwork, text, and characters virtually identical to the materials submitted to the defendants.<sup>182</sup> The Central District of California granted summary judgment in favor of the allegedly infringing defendants, and the plaintiffs appealed.<sup>183</sup> The Ninth Circuit reversed the district court's grant of summary judgment in part, limited to the copyright infringement claim as to the cover and illustration.<sup>184</sup> The court affirmed summary judgment on the remainder of claims including television programs.<sup>185</sup>

The sole issue before the Ninth Circuit was whether any of the defendants' works were substantially similar to the plaintiff's offerings.<sup>186</sup> The court used a two-part analysis to determine whether the two works were substantially similar.<sup>187</sup> The

“extrinsic test” is an objective comparison focusing “on articulable similarities between the plot, theme, dialogue, mood. . . and sequence of events in two works.”<sup>188</sup> The “intrinsic test” focuses on “whether the ordinary, reasonable audience” would find the works substantially similar in the “total concept and feel of the works.”<sup>189</sup> If the plaintiff can show that there is a triable issue of fact under the extrinsic test, then the intrinsic test’s subjective inquiry must be left to the jury and the defendants’ motion for summary judgment must be denied.<sup>190</sup>

In the court’s application of the extrinsic test, the defendants’ books and television programs were not substantially similar based on factors such as: (1) the plaintiff’s stories involved elaborate story lines, while the defendants’ works were very simple; (2) the stories failed to share any detailed sequence of events; and (3) the plaintiff’s stories were more serious and instructional.<sup>191</sup> On the other hand, \*184 the court found the artworks substantially similar and reversed summary judgment as to the night light cover and illustration.<sup>192</sup>

#### **D. Quilt Designs**

In *Boisson v. Banian, Ltd.*,<sup>193</sup> the Second Circuit considered originality in the context of quilt designs. After a bench trial, the district court dismissed the plaintiff’s claims, apparently on the ground that the plaintiff’s designs were “in the public domain” or lacked sufficient originality.<sup>194</sup> The subject matter of the suit was the plaintiff’s designs for quilts incorporating the letters of the alphabet in geometric block patterns.<sup>195</sup>

The Second Circuit reversed, agreeing with the district court that the alphabet itself was in the public domain but disagreeing with its conclusion that letters of the alphabet in square blocks arranged sequentially in six rows of five letter blocks lacked originality.<sup>196</sup> The district court based its ruling on expert testimony that established the use of alphabet letters in block patterns as early as 1900.<sup>197</sup> The Second Circuit found that the alphabetical arrangement of the letters in the five-by-six block format possessed the minimum degree of creativity necessary to establish originality.<sup>198</sup>

The court also addressed the defendant’s proof that the plaintiff had copied her designs from the public domain by proving access and substantial similarity.<sup>199</sup> Noting that the defendants offered only circumstantial proof of copying from the public domain and not direct evidence of such copying, the court found this insufficient to overcome the showing of originality.<sup>200</sup> Moreover, the court noted, the district court erred in considering the degree of originality imparted by the plaintiff’s selection of color combinations, even though color alone is not copyrightable.<sup>201</sup>

Having resolved originality in the plaintiff’s favor, the court moved to consider proof of substantial similarity. The court noted that the substantial similarity inquiry is to be through the eyes of the “ordinary observer” and to focus on whether \*185 that observer would regard the “aesthetic appeal” of the works as the same.<sup>202</sup> Nevertheless, the court cautioned, when a work comprises both protectable and unprotectable elements, the ordinary observer must be “more discerning,” lest protection extend to unprotected elements.<sup>203</sup> Thus, the ordinary observer test must be “refined” where the works are not wholly original, but it is not an invitation to “dissect” the works and must focus on the “the total concept and feel” of the copyrighted work.<sup>204</sup>

In comparing the quilts, the court found the six rows of five letter blocks, the use of contrasting color and polka dot fabrics, the similarity in letter shapes, the use of four pictorial icons in lieu of letters in the last row, and letter and background color combinations to be “enormous similarity” sufficient to find actionable copying with respect to two of the accused quilts.<sup>205</sup> Two of the other quilt designs lacked these similarities and did not infringe.<sup>206</sup>

The court of appeals, having reversed the findings of the district court on originality and infringement, declined to make an award of damages, remanding for a damage determination.<sup>207</sup>

#### **E. Independent Creation**

The Seventh Circuit considered the interplay between proof of copying and independent creation in the context of jury instructions in *Susan Wakeen Doll Company, Inc., v. Ashton-Drake Galleries*.<sup>208</sup> This case considered infringement allegations arising out of the alleged copying of a doll design created by the plaintiff.<sup>209</sup> A third-party doll designer who had worked for the plaintiff had subsequently worked for the defendant.<sup>210</sup> The plaintiff alleged that the third-party designer had supplied the defendant with a doll design that had been copied from one of the plaintiff’s master skins.<sup>211</sup> The defendant offered evidence that the third-party independently created the doll design at issue.<sup>212</sup>

**\*186** Before closing arguments, both parties met with the trial judge to discuss the jury instructions.<sup>213</sup> The defendant requested an instruction on independent creation, which would rebut the plaintiff's copyright infringement claim.<sup>214</sup> The trial judge, in refusing the request, stated that if the plaintiff proved access and substantial similarity, then there could be no independent creation.<sup>215</sup> During closing argument, the defense counsel attempted to link similarity to independent creation, indicating how the jury should answer the question, and was reprimanded by the trial judge in the presence of the jury.<sup>216</sup>

During deliberations, the trial judge decided that an instruction concerning independent creation was appropriate after all and submitted the following instruction: "Do you find that [third-party doll designer] copied plaintiff's copyrighted sculpture to create the sculpture that became defendant Ashton-Drake Galleries' 'Little Drummer Boy'?" This instruction was submitted after the jury returned answers on the first two questions in favor of the plaintiff.<sup>217</sup> The defendant moved for judgment as a matter of law, which was denied, and the court entered judgment for \$2.1 million and awarded \$203,181.92 in attorney's fees to the plaintiff.<sup>218</sup> This appeal followed.

Emphasizing that evidence of independent creation may be used to rebut the inference of copying that arises after proof of access and substantial similarity, the Seventh Circuit found the evidence sufficient to support the jury verdict of infringement and affirmed the denial of JMOL.<sup>219</sup>

The Seventh Circuit held that the jury instructions incorrectly stated the relationship between independent creation and copying.<sup>220</sup> Nevertheless, the court found that the defendant was not prejudiced by the error because the issue of independent creation was squarely addressed in the third question posed to the jury regarding copying because copying is the polar opposite of independent creation.<sup>221</sup> Furthermore, the court found that the jury was amply guided during the testimony **\*187** and at closing argument that independent creation was a defense to copyright infringement in this case.<sup>222</sup>

The court found that the trial court did not abuse its discretion or compound the jury instruction error with its reprimand during closing arguments because the trial judge was correct in stating that counsel was in error in arguing that the jury should find no substantial similarity if it found the works to be created independently.<sup>223</sup> The court also found that the timing and language of the jury instruction were not prejudicial because the defendant did not request clarifying instructions and the jury's confusion resulting from receiving a third question after answering two did not favor either the plaintiff or the defendant.<sup>224</sup>

Finally, because the court could not ascertain the reason for the award of attorney's fees, it vacated that award for reconsideration in light of its opinion.<sup>225</sup> Accordingly, the judgment of the trial court was affirmed in all respects except attorney's fees.<sup>226</sup>

## V. Fair Use

### A. The Wind Done Gone And Got Away With It

The Eleventh Circuit reversed the trial court's injunction against the publication of *The Wind Done Gone* in *Suntrust Bank v. Houghton Mifflin Co.*<sup>227</sup> The trial court granted a preliminary injunction against publication on the ground that the work infringed the copyright in "Gone With The Wind." The defense was that, as a parody, the work constituted fair use.<sup>228</sup>

The court began its opinion with an exceptionally lucid and cogent discussion of the history of American copyright law, its policies and philosophical underpinnings, and specifically the interface between the First Amendment and the Copyright Clause and Act.<sup>229</sup> The court concluded that the fair use doctrine and the **\*188** idea/expression dichotomy of copyright law prevent any conflict between the First Amendment and the Copyright Act.<sup>230</sup>

The court then analyzed the trial court's ruling that the defendant's fair use defense failed and the propriety of injunctive relief. The court found that the plaintiff did establish its prima facie case of copyright infringement through ownership of a valid copyright and substantial appropriation of protected material in the defendant's work.<sup>231</sup> Next, the court moved to the defendant's fair use defense.

The defendant contended that the work is a parody: borrowing characters and plot elements from *Gone With the Wind* to

present a similar story from the perspective of African-American slaves.<sup>232</sup> The Eleventh Circuit read *Campbell v. Acuff-Rose Music, Inc.*<sup>233</sup> as requiring a determination of whether the accused work is a parody or whether it was a satire as a threshold question independent of the purpose and character or the nature of the work.<sup>234</sup> Additionally, the “parodic character may be reasonably perceived” in the infringing work.<sup>235</sup>

The Eleventh Circuit will “treat a work as a parody if its aim is to comment upon or criticize a prior work by appropriating elements of the original in creating a new artistic, as opposed to scholarly or journalistic, work.”<sup>236</sup> Applying this test, the court found that although *The Wind Done Gone* was not a general commentary upon the Civil-War-era American South, it was “a specific criticism of and rejoinder to the depiction of slavery and the relationships between blacks and whites in [*Gone With the Wind*].”<sup>237</sup> The court found that the author chose fiction as a vehicle, rather than a factual work, but this does not diminish its character as a parody subject to fair-use protection.<sup>238</sup> Also, the court found no necessity to engage in a subjective inquiry into such factors as to whether the parody is “funny.”<sup>239</sup> Nevertheless, the majority seemed to struggle with whether this work was truly a parody rather than a satire and, thus, more entitled to a fair use defense.

The court then moved to the analysis of the fair use factors of 17 U.S.C. § 107. With regard to the purpose and character of the work, the court found it commercial, \*189 but highly transformative of the original work.<sup>240</sup> Thus, this factor militated in favor of fair use and diminished the importance of the other factors.<sup>241</sup>

The court essentially failed to reach a conclusion as to the amount and substantiality of the portion of the copyrighted work taken. Although seeming to conclude that the amount appropriated was fairly extensive and substantial, the court also recognized that such comparatively large taking is inherent in the parodic form.<sup>242</sup> The court also found that the portions taken were transformative in character.<sup>243</sup>

The court credited the defendant’s evidence that there would be no “market substitution” effect (i.e. that the accused work was not a substitute for and would not displace sales of the copyrighted work) and found little or no evidence that the accused work would inflict economic harm on the market for the original work.<sup>244</sup>

Thus, because the fair use factors favored the defendant, the court concluded that the plaintiff could not show a substantial likelihood of success on the merits.<sup>245</sup> Further, because the plaintiff failed to show how the accused work would appeal to admirers of the original and would deprive the original of sales or revenue, the plaintiff failed to show irreparable injury.<sup>246</sup> Accordingly, the court reversed the judgment and injunction of the district court.<sup>247</sup>

Judge Marcus filed a special concurrence agreeing with the judgment but dissented from those portions of the majority opinion expressing doubt as to the parodical character of the accused work and its clear entitlement to fair use protection.<sup>248</sup> Further, Judge Marcus was troubled by evidence that the plaintiff (the Margaret Mitchell estate) employed tactics such as this litigation to censor and avoid “disparagement” of the original work, goals that the Copyright Act cannot and should not promote.<sup>249</sup>

#### **\*190 B. Photographs of Copyrighted Works**

In *Ty, Inc. v. Publications International Ltd.*,<sup>250</sup> the Seventh Circuit considered whether a book publisher was entitled to a trial on its defense of fair use in connection with its use of photographs of the plaintiff’s Beanie Babies in different books. The court of appeals reversed and the remanded the district court’s summary judgment for the plaintiff.<sup>251</sup>

The plaintiff is the manufacturer of the well-known stuffed animal “Beanie Babies,” which are copyrightable as “sculptural works,”<sup>252</sup> and are copyrighted by the plaintiff.<sup>253</sup> The defendant published a series of books which contained photographs of the Beanie Babies.<sup>254</sup> The plaintiff sued for copyright infringement, and the defendant, after conceding the photographs were derivative works, defended on the basis of the fair use doctrine.<sup>255</sup> The district court rejected the defendant’s defense, granted summary judgment for the plaintiff, issued a permanent injunction against the defendant’s selling any of its Beanie Babies books, and awarded the plaintiff profits from the sale of defendant’s books.<sup>256</sup>

On appeal, the Seventh Circuit found summary judgment was not reasonable with regard to all of defendant’s purportedly infringing books.<sup>257</sup> The court did acknowledge that summary judgment may be justified specifically with one of defendant’s books, which the court described as essentially just a book of pictures and no attributable text.<sup>258</sup>

In finding that the use of the other books published by defendants, such as the Beanie Babies Collector's Guide, was a fair use, the court relied on the statutory definition of the fair use defense and the four-factor test specified by the Supreme Court.<sup>259</sup> The statute provides that "the fair use of a copyrighted work. . .for purposes such as criticism, comment, news reporting, teaching. . .scholarship or research, is not an infringement of copyright."<sup>260</sup> The statute further provides that the "factors to be considered shall include (1) the purpose and character of the use, \*191 including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work."<sup>261</sup>

The Seventh Circuit instructed the district court that if plaintiff were to prove copyright infringement on remand, all the plaintiff would be entitled to is profits directly attributable to the photographs and not to those attributable to the text.<sup>262</sup>

### C. Internet Uses

In *Kelly v. Arriba Soft Corp.*,<sup>263</sup> the Ninth Circuit applied copyright law to the Internet when considering whether the defense of fair use was appropriate to a search engine's use of photographs on its website. The plaintiff, a professional photographer, copyrighted many of his images which appeared on his websites.<sup>264</sup> The defendant operated an Internet search engine which featured small pictures instead of text.<sup>265</sup> The defendant's website showed small pictures, called "thumbnails," which enlarge into a full-size versions when clicked on by an Internet user.<sup>266</sup> When the plaintiff detected that his photographs were being used on the defendant's search engine database, he brought a copyright infringement claim in the Central District of California.<sup>267</sup>

The district court found that the plaintiff had established a prima facie case of copyright infringement but granted summary judgment for the defendants because the court felt the actions by defendants were a non-infringing fair use.<sup>268</sup> The plaintiff subsequently appealed.<sup>269</sup>

On appeal, the Ninth Circuit applied the four-factor test set out by copyright law<sup>270</sup> to determine whether the thumbnails and the full-size photographs appropriately fit under the fair use exception. As to the thumbnails, the Ninth Circuit found that the purpose of the use was beneficial to the public and that the use of plaintiff's images would not harm its ability to sell, both factors weighing in the defendant's \*192 favor.<sup>271</sup> The court felt that the amount and substantiality of the portion used was a non-factor and that the nature of the work weighed slightly in favor of the plaintiff.<sup>272</sup> Thus, the Ninth Circuit found that the defendant's use of the plaintiff's images as thumbnails was a fair use and affirmed the district court's holding on that issue.<sup>273</sup>

The second part of the court's analysis focused on the full-size images on the defendant's website.<sup>274</sup> Using the same fair use analysis, the court held that unlike the thumbnails, the defendant's display of the plaintiff's full-sized images was not a fair use and violated the plaintiff's exclusive right to publicly display his copyrighted works.<sup>275</sup> The Ninth Circuit reversed the district court as to the exhibit of the full-sized images and remanded with instructions to determine damages for the infringement.<sup>276</sup>

## VI. Litigation and Remedies

### A. Jurisdiction

In *Scandinavian Satellite System, AS v. Prime TV Ltd.*,<sup>277</sup> the District of Columbia Circuit considered whether subject matter jurisdiction under 28 U.S.C. § 1338(a) was available when a contract ownership dispute sought a remedy provided by the Copyright Act. The plaintiff was a Norwegian company who executed a joint venture agreement with a Pakistani company, which authorized the Pakistani company to assume control over the defendant, a British company, who was a subsidiary of the plaintiff.<sup>278</sup> The plaintiff Norwegian company sued its British subsidiary alleging copyright infringement and asserting the venture agreement between plaintiff and the Pakistani company was null and void due to duress.<sup>279</sup>

The district court dismissed the plaintiff's suit, finding that the joint venture agreement was the foundation of the cause of action and that the action was not one for copyright infringement, rather for contract rescission.<sup>280</sup> The D.C. Circuit reversed the judgment, holding that the district court had subject matter jurisdiction \*193 because the complaint transpired on a claim of copyright infringement arising under the Copyright Act for which the plaintiff sought relief.<sup>281</sup>

The court looked to the Second Circuit for analytical guidance and noted that Judge Friendly held that, “an action ‘arises under’ the Copyright Act if and only if the complaint is for a remedy expressly granted by the Act.”<sup>282</sup> Since the plaintiff sought remedies expressly provided by in the Copyright Act,<sup>283</sup> it satisfied the condition that a complaint must involve a remedy granted by the Copyright Act.<sup>284</sup>

The court also rejected the district court’s finding that parent companies cannot bring actions against their subsidiaries.<sup>285</sup> The court noted that “[c]orporations may bring actions against each other, even if . . . one corporation is the parent or subsidiary of the other.”<sup>286</sup> On remand, the court ordered the determination of whether the subsidiary defendant is in fact controlled by the parent.<sup>287</sup>

In *Syntek Semiconductor Co., Ltd. v. Microchip Technology Inc.*,<sup>288</sup> the Ninth Circuit contemplated whether the doctrine of primary jurisdiction applied, which caused the parties to seek administrative remedies. The plaintiff, a Taiwanese corporation, and the defendant, a Delaware corporation, designed, manufactured, and sold microcontrollers.<sup>289</sup> In March of 1999, the plaintiff filed an action in the District of Arizona claiming the defendant’s copyright registration of its microcode was invalid because of failure to comply with applicable regulations when registering.<sup>290</sup>

The Copyright Act requires one seeking copyright registration to deposit two complete copies of a published work.<sup>291</sup> The Copyright Act allows the Register of Copyrights to “require or permit . . . the deposit of identifying material instead of copies” for particular types of works,<sup>292</sup> and the Register has enacted regulations \*194 allowing for the deposit of “identifying portions,” rather than copies, for computer programs such as the ones in question.<sup>293</sup>

The district court granted summary judgment for the defendant; however, on appeal, the Ninth Circuit dismissed the action and ordered the parties to pursue administrative remedies pursuant to the doctrine of primary jurisdiction.<sup>294</sup> Primary jurisdiction is a doctrine under which a court may decide that judgment should be determined by the relevant agency instead of the court itself.<sup>295</sup> “Where relief is available from an administrative agency, the plaintiff is ordinarily required to pursue that avenue of redress before proceeding to the courts; and until that recourse is exhausted, suit is premature and must be dismissed.”<sup>296</sup> Under the facts and circumstances of this case, the Ninth Circuit found that the use of the primary-jurisdiction doctrine was appropriate and referred the matter to the Register of Copyrights.<sup>297</sup>

## B. Pleading

In *Chambers v. Time Warner, Inc.*,<sup>298</sup> the plaintiffs were recording artists who appealed the district court’s dismissal of their copyright infringement claim for failure to state a claim upon which relief could be granted.<sup>299</sup> The plaintiffs recorded performances of musical works under contracts with the defendants from the 1950s through the 1990s.<sup>300</sup> Through agreement, each defendant was allocated ownership and copyright rights and would sell copies of plaintiffs’ recordings.<sup>301</sup> However, due to the “digital revolution,” the plaintiffs maintained that the agreements did not authorize the sale of the digitized versions of their performances on the Internet because of the potential “streaming” that could greatly reduce their sales.<sup>302</sup>

After limited discovery, the defendants moved to dismiss under Rule 12(b)(6).<sup>303</sup> The Southern District of New York considered various unsigned drafts of agreements between record producers and the American Federation of \*195 Television and Radio Artists (“AFTRA”), to which plaintiffs belong, and subsequently granted the defendants’ motion.<sup>304</sup>

The plaintiffs argue on appeal that the district court improperly considered the contracts and agreements that were not part of the complaint.<sup>305</sup> “When material outside the complaint is presented to and not excluded by the court, ‘the motion shall be treated as one for summary judgment and disposed of as provided in [Federal Rule of Civil Procedure] 56, and all parties shall be given reasonable opportunity to present all material made pertinent to such motion. . . .’”<sup>306</sup> For purposes of this rule, “the complaint is deemed to include any written instrument attached to it as an exhibit or any statements or documents incorporated in it by reference.”<sup>307</sup>

The Second Circuit determined that the district court, after failing to convert the motion to dismiss to a motion for summary judgment, improperly considered the AFTRA agreements.<sup>308</sup> The plaintiffs did not rely on the terms of the documents in drafting their complaint.<sup>309</sup> Consideration of extraneous material in judging the sufficiency of a complaint is at odds with the liberal pleading standard of Federal Rule of Civil Procedure 8(a)(2), which requires that the complaint contain “a short and plain statement of the claim showing that the pleader is entitled to relief.”<sup>310</sup>

Since the plaintiffs did not rely on the documents in their complaint, the Second Circuit vacated the judgment of the district court and remanded to allow plaintiffs to replead.<sup>311</sup>

### C. Preemption

In *Kindergartners Count, Inc. v. Demoulin*,<sup>312</sup> the district court analyzed state-law unfair-competition and conversion claims for preemption.<sup>313</sup> The defendants \*196 also challenged the sufficiency of the pleading of copyright infringement.<sup>314</sup> Finding that the complaint contained a short, plain statement entitling the plaintiff to relief in accordance with Fed. R. Civ. P. 8, the court declined to dismiss the copyright count, stating that any deficiencies in the factual allegations could be resolved by discovery.<sup>315</sup>

The court began its preemption analysis with the familiar rule that courts must analyze the unfair-competition claim asserted for whether it contains a qualitatively different “extra element that distinguishes it from a copyright claim.”<sup>316</sup> The court also noted the principle that extra elements such as awareness, intent, or commercial immorality<sup>6</sup> are not qualitatively different so as to prevent preemption.<sup>317</sup>

Employing this analysis, the court found that the unfair-competition claim alleged the violation of a confidential relationship and thus avoided preemption.<sup>318</sup>

The court found that the conversion claim, however, was premised solely on misappropriation of intangible property and, thus, preempted.<sup>319</sup>

The plaintiff argued, however, that a conversion claim could extend to any elements of the copyrighted work that were not protectable by the Copyright Act (e.g. lacking sufficient originality or otherwise in public domain). Addressing this argument for the first time in the Tenth Circuit, the district court noted that the Second, Fourth, and Seventh Circuits have held that the scope of the subject matter of the Copyright Act extends beyond matter that can be protected under the Act to elements of expression that themselves cannot be protected.<sup>320</sup> The court agreed with these analyses, noting that one function of preemption under § 301 is to prevent states from giving additional protection to works of authorship that fall within the subject matter of the Copyright Act, even though the Act may not offer them protection.<sup>321</sup>

\*197 The Ninth Circuit considered First Amendment and copyright preemption challenges to California’s misappropriation of identity statute in *Downing v. Abercrombie & Fitch*.<sup>322</sup> The plaintiffs were surfers, and the defendant used a 1965 photograph of the surfers in its “Quarterly” catalog to promote a line of surfing-oriented clothing.<sup>323</sup> After publication of the catalog, the plaintiffs sued for negligence and defamation and alleged that Abercrombie misappropriated their names and likenesses in violation of California’s statutory and common law protections against commercial misappropriation and that the publication of the photograph in the catalog violated the Lanham Act.<sup>324</sup> The district court granted summary judgment in favor of Abercrombie, stating that the First Amendment protected their publication of the photograph and that the misappropriation claims were preempted by the Copyright Act.<sup>325</sup>

On appeal, the Ninth Circuit reversed the grant of summary judgment, noting the tenuous relationship between surfing and surf culture, a matter of public concern, and the photograph in issue and Abercrombie’s advertising. The catalog even incorrectly identified the date and location of the photograph, and the catalog could not be considered a factual account of surfing and surf culture.<sup>326</sup> Accordingly, the appeals court held that there was no matter of public concern implicated by the publication of the photograph in advertising and thus no First Amendment protection for it.<sup>327</sup>

The court also held that the subject matter protected by the California misappropriation law was the identity or persona of a human being, rather than any particular photograph or representation and, thus, did not fall within the subject matter of copyright.<sup>328</sup> Simply because the persona or identity is embodied in a work of authorship does not bring the claim within the subject matter of copyright, which is necessary for preemption.<sup>329</sup> Thus, the claim was not preempted.

After considering the likelihood of confusion factors applicable to a “famous person” Lanham Act claim,<sup>330</sup> the court found a question of material fact on those \*198 claims and reversed the summary judgment as to those claims as well.<sup>331</sup> The plaintiff’s defamation claims were properly dismissed because the plaintiffs offered no evidence that an ordinary observer would find the publication of the photograph in a catalog with nude and seminude models defamatory or scandalous.<sup>332</sup>



In *Lipscher v. LRP Publications, Inc.*,<sup>333</sup> the Eleventh Circuit considered a district court's holding that state law claims for breach of contract and "acquisition misconduct" are not and are, respectively, preempted by the Copyright Act. The plaintiff owned a verdict-reporting service to which the defendants subscribed.<sup>334</sup> The defendants allegedly employed the information obtained from their subscriptions to produce their own verdict reporter.<sup>335</sup> The parties agreed that the verdict reporters were not copyrightable.<sup>336</sup>

The Eleventh Circuit had little trouble in finding the underlying works, as factual compilations, to be within the subject matter of copyright.<sup>337</sup> The plaintiff apparently premised its arguments on the defendants having, with fraudulent or deceptive intent, subscribed to the service.<sup>338</sup> Nevertheless, the Eleventh Circuit affirmed the preemption holding, finding that the rights sought to be protected by the plaintiff's were "copyright rights" and that "obtaining access to a work is a necessary condition to copying it." Thus, there was no extra element to save the cause of action from preemption.<sup>339</sup>

The defendants also argued on appeal that the district court erred in failing to find the breach of contract claim preempted. Again, the matter was within the subject matter of copyright.<sup>340</sup> However, because breach of contract requires pleading and proof of a contract and affects only the rights of private parties to a contract, there was no preemption.<sup>341</sup>

The different results here beg the question whether the "acquisition misconduct" claim would have survived preemption had the plaintiff cast its claim as one for fraud or fraudulent inducement to contract.

#### **\*199 D. Laches**

Not surprisingly, the Ninth Circuit affirmed a trial court's holding that delay of more than 20 years in asserting copyright infringement claims against the James Bond series of films barred the claims under the doctrine of laches in *Danjaq LLC v. Sony Corp.*<sup>342</sup>

In the 1950's and subsequently, Bond creator Ian Fleming, while having written several Bond novels, had difficulty developing the novels into screenplays. The plaintiff in this case developed several Bond screenplays and was involved in litigation with the defendants, producers of the Bond movies.<sup>343</sup> That litigation concluded, for the most part, in the 1970's but left the plaintiff in this action, a screenwriter, with causes of action for copyright infringement arising out of the unauthorized use of his screenplays, allegedly for seven movies: "Dr. No," "From Russia with Love," "Goldfinger," "Thunderball," "You Only Live Twice," "Diamonds Are Forever," and "The Spy Who Loved Me."<sup>344</sup> The plaintiff's infringement allegations also extended to DVD versions of the movies, as well as to "any other new media."<sup>345</sup> The earliest of these movies debuted in 1962 ("Dr. No") and the most recent in 1977 ("The Spy Who Loved Me"), yet the plaintiff filed his counterclaim in 1998.<sup>346</sup>

The Ninth Circuit focused on the laches elements of delay and its reasonableness as well as the prejudice (both economic and evidentiary) resulting from the delay and agreed with the district court that the defendant established laches with respect to the films, in which the delay of between 19 and 36 years was dispositive and the plaintiff's excuses unavailing.<sup>347</sup> The court also found that the defendants were prejudiced both evidentiarily (loss of evidence throughout passage of time) and economically (expenditure in reliance on inaction) by the delay.<sup>348</sup> The court also considered whether willful infringement would prevent application of laches and held that it would not because the plaintiff could not prove that the infringement was in fact willful.<sup>349</sup>

With respect to the rerelease of these movies on DVD and other media, the court found that the infringement cases "overlapped" perfectly (presumably meaning that the proof would be identical or near-identical) and that the same issues of \*200 evidentiary and economic prejudice were implicated as in the case of the original movies; thus, they were also barred by laches.<sup>350</sup>

The court also found that the prejudice to the defendants was sufficiently grave as to require departure from the ordinary rule and bar prospective injunctive relief.<sup>351</sup>

#### **E. Injunctive Relief**

In *A&M Records, Inc. v. Napster, Inc.*,<sup>352</sup> the Ninth Circuit considered whether the Northern District of California properly

modified a preliminary injunction ordering Napster's Internet company to disable its service until conditions were satisfied. Initially, the Ninth Circuit affirmed the district court's decision to issue a preliminary injunction against Napster and reversed and remanded with instructions for the district court to modify Napster's limitations.<sup>353</sup>

This appeal examines the district court's modified injunction which orders Napster to remove any user file if Napster has reasonable knowledge that the file contains the plaintiffs' copyrighted works.<sup>354</sup> The district court also obligated the plaintiffs to give Napster notice of specific infringing files.<sup>355</sup> The injunction required both parties to adopt reasonable measures and required Napster to continually search and block all files with protected works and for Napster to shut-down until full compliance was attained.<sup>356</sup>

On appeal, the plaintiffs argued that Napster should search and block all files containing copyrighted works and that the plaintiffs should not have to provide file names to Napster.<sup>357</sup> Napster argued that the preliminary injunction is too vague, that an appointed technical advisor is not necessary, and claims that a shut-down order until compliance is improper.<sup>358</sup>

The Ninth Circuit found that the district court did not commit any error in modifying the preliminary injunction and had authority to modify the injunction in light of the new facts.<sup>359</sup> Moreover, the court held that the district court's supervisory \*201 authority requiring Napster to use a new filtering mechanism was a proper exercise of power.<sup>360</sup> Thus, the Ninth Circuit affirmed both the modified preliminary injunction and the shut-down order.<sup>361</sup>

## F. Statutory Damages

The First Circuit affirmed an award of statutory damages after the defendant defaulted in *Ortiz-Gonzalez v. Fonovisa*.<sup>362</sup> The plaintiff, the author of musical works that were reproduced and distributed in an unauthorized album, sued a producer and distributor for infringement.<sup>363</sup>

The distributor failed to answer the complaint and thus defaulted. At trial, the plaintiff voluntarily dismissed the producer and requested entry of judgment against the distributor, apparently without offering evidence of the producer's or distributor's liability.<sup>364</sup> In post-trial motions, the plaintiff sought and received an award of statutory damages, and the distributor finally entered an appearance at this stage, apparently without attempting to set aside the default.<sup>365</sup>

On appeal, the distributor argued that it could not be held liable for infringement when the producer was not proven to have infringed the copyright, asserting that it was merely a contributory infringer.<sup>366</sup> The court of appeals disagreed, holding that 17 U.S.C. § 106 prohibits distribution of copyrighted works without the owner's permission, and therefore, the distributor directly infringed the copyright, even without proof of liability on the part of the producer. The allegations of the complaint and the failure to respond sufficiently established the distributor's liability.<sup>367</sup>

The defendant also argued that it was entitled to notice of the trial date. The court of appeals disagreed, holding that Fed. R. Civ. P. 55 only required notice of the entry of default judgment to a party that has appeared but not the trial date after the entry of default judgment when the party has not appeared.<sup>368</sup>

The defendant also argued that it was entitled to a hearing on statutory damages at which it would have established that the plaintiff could not prove infringement. \*202 The court dismissed this argument as well, citing to the broad discretion afforded the district court in the damages inquiry by Fed. R. Civ. P. 55 and by § 504 of the Copyright Act in assessing statutory damages.<sup>369</sup>

Finally, the producer appealed the district court's denial of a judgment for attorney's fees after having agreed with the plaintiff that it would not attempt to collect any such judgment. The court of appeals affirmed this ruling as well, holding that because the judgment would never be collected by virtue of the agreement, a ruling on the issue was not a live controversy and was not ripe for decision.<sup>370</sup> Thus, the court affirmed the trial court in all respects.

## G. Attorney's Fees

In *Berkla v. Corel Corp.*,<sup>371</sup> the Ninth Circuit evaluated the district court's denial of attorney's fees in a breach of contract and copyright infringement claim. The plaintiff designed image-file databases and contacted the defendant to discuss possible

licensing agreements.<sup>372</sup> The parties then executed a nondisclosure agreement.<sup>373</sup> The defendants eventually rejected the plaintiff's offer, but the plaintiff later found that the defendants used the plaintiff's ideas in their latest application program.<sup>374</sup> The plaintiff sued the defendant alleging copyright infringement, breach of contract, unfair business practices, and breach of confidence.<sup>375</sup> The district court only allowed compensatory damages for the plaintiff and denied both parties' motions for attorney's fees.<sup>376</sup>

After trial, the plaintiff moved for attorney's fees and the district court denied its request finding that the plaintiff was not the "prevailing party" on all claims.<sup>377</sup> On cross-appeal, the defendant contended that the district court abused its discretion in denying its request for attorney's fees on the copyright claim.<sup>378</sup> Under copyright law, the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this \*203 title, the court may also award a reasonable attorney's fees to the prevailing party as part of costs.<sup>379</sup>

The Ninth Circuit acknowledged that the Supreme Court has adopted the "evenhanded" approach to the award of attorney's fees in copyright cases.<sup>380</sup> Also, the court noted that guidance is supplied by factors from the Third Circuit decision in *Lieb v. Topstone Industries, Inc.*,<sup>381</sup> which include "frivolousness, motivation, objective unreasonableness. . .and the need in particular circumstances to advance considerations of compensation and deterrence."<sup>382</sup> Therefore, the decision to award attorney's fees to prevailing parties remains within the court's discretion.<sup>383</sup> In evaluating the Lieb factors, the Ninth Circuit found no reason to conclude any abuse of discretion by the district court and affirmed its order as to attorney's fees.<sup>384</sup>

## H. Sanctions

In *Christian v. Mattel, Inc.*,<sup>385</sup> the Ninth Circuit considered an appellant-attorney's appeal to reverse Rule 11 sanctions against him.<sup>386</sup> The Central District of California ordered the attorney to pay the appellee toy company's attorney's fees resulting from a copyright infringement case he filed against the toy company.<sup>387</sup>

After a settlement agreement was reached between two doll companies, the attorney for the defendants of the original case filed a federal complaint which primarily alleged that a prior-created work infringed a later-created one.<sup>388</sup> The district court granted summary judgment against the attorney's client and granted Rule 11 sanctions against the attorney as well.<sup>389</sup> The district court found that the attorney had filed a claim lacking merit and that a reasonable investigation would have revealed no foundation for the copyright claim whatsoever.<sup>390</sup> The district court \*204 awarded \$501,565.00 in attorney's fees based on the attorney's frivolous complaint and also found that he had "behaved boorishly, misrepresented the facts and misstated the law."<sup>391</sup>

On appeal, the attorney argued that even if the district court was justified in sanctioning him, the court erroneously considered misconduct that cannot be sanctioned under the rule.<sup>392</sup> Rule 11 permits the district court to sanction an attorney for conduct regarding "pleading[s], written motion[s], and other paper[s]" that have been signed and filed in a case.<sup>393</sup> However, the rule does not authorize sanctions for certain things like discovery abuses or misstatements made to the court during oral argument,<sup>394</sup> all of which the district court accused the attorney of doing.

The Ninth Circuit not only found that the Rule 11 sanctions confirmed that the district court sanctioned the attorney for actions that Rule 11 covers, but also suggested that they considered deposition conduct and other oral representations made by the attorney.<sup>395</sup> Since the Ninth Circuit could not define for certain the district court's legal and factual basis for the Rule 11 sanction order, the court vacated the order and remanded for further proceedings.<sup>396</sup>

## I. Rule 68 Offer of Judgment

The Seventh Circuit considered whether a losing defendant that made an offer of judgment under Fed. R. Civ. P. 68 can recover its attorney's fees when the plaintiff prevails, yet the judgment does not exceed the offer of judgment in *Harbor Motor Co., Inc. v. Arnell Chevrolet-Geo, Inc.*<sup>397</sup>

Rule 68 provides a procedure by which a defendant can recover costs after making a settlement offer if the plaintiff does not accept the offer and any eventual judgment is "less favorable" than the offer of judgment.<sup>398</sup> Under the Copyright Act,

attorney's fees are defined as costs.<sup>399</sup> Accordingly, a copyright defendant can theoretically recover its attorney's fees after making an offer of judgment.

In Harbor, the plaintiff automobile dealership sued a competing dealership and local newspaper when its original advertisements for "tent sales" were used in \*205 the competing dealership's ads.<sup>400</sup> During pretrial proceedings, the competing dealership tendered an offer of judgment to Harbor for \$2,500, and the newspaper tendered a separate offer of judgment for \$7,500. The plaintiff did not accept either offer. Both defendants then tendered a joint offer of judgment to the plaintiff for \$20,100, an unapportioned lump-sum offer that did not specify how much of the offer applied to each defendant.<sup>401</sup> The plaintiff did not accept the joint offer, either.

At trial, the district court dismissed the case against the newspaper on unpled and unargued First Amendment grounds, and the jury awarded statutory damages of \$12,500 against the dealership defendant.<sup>402</sup> A magistrate recommended that the newspaper, as a prevailing party, recover \$104,000 in attorney's fees and that the defendant dealership recover \$71,000 in attorney's fees under Rule 68 because the final judgment was less than the prior offer of judgment.<sup>403</sup>

The Seventh Circuit reversed the judgment as a matter of law against the newspaper and then considered the probity of the award to the dealership defendant under Rule 68.<sup>404</sup> The court noted that when the underlying statute permits recovery of attorney's fees as "costs," Rule 68 operates as a fee-shifting provision.<sup>405</sup>

Whether a non-prevailing party can recover attorney's fees is a question that has caused a split in the circuits, with the First Circuit holding that non-prevailing Rule 68 defendants may not recover fees, while the Eleventh Circuit holding that they may.<sup>406</sup> Citing the language in *Marek* that "properly awardable fees" may be assessed under Rule 68 and holding that attorney's fees in copyright cases can only be awarded to the prevailing party, the Seventh Circuit agreed with the First Circuit and held that only a prevailing party may recover attorney's fees in a copyright case, notwithstanding the provisions of Rule 68.<sup>407</sup>

Moreover, because of the joint nature of the offer made by both defendants, it was impossible to allocate the offer between the two defendants and evaluate whether it was "more favorable" than the judgment awarded against just one of the offering defendants.<sup>408</sup> The court noted that the offering defendant has the burden \*206 of proof and "burden of precision" in showing that the post-offer judgment is less favorable than the judgment.<sup>409</sup>

Accordingly, the court vacated all of the attorney's fees awards and remanded the case to the trial court.

## **J. Settlement**

In *Lynch, Inc. v. SamataMason, Inc.*,<sup>410</sup> the Seventh Circuit decided whether the judge had authority to rule that a copyright case was settled on the basis of settlement discussions before him that were not recorded or transcribed.<sup>411</sup> The plaintiff brought a copyright infringement claim against the defendants, and the parties and their attorneys reached a settlement before a magistrate judge; however, no transcript was made and no court reporter was present.<sup>412</sup>

The parties disputed one aspect of the settlement agreement, but the Northern District of Illinois adopted the defendant's version of the settlement and dismissed the case while retaining jurisdiction to enforce the agreement.<sup>413</sup> The plaintiff then appealed this ruling to the Ninth Circuit.<sup>414</sup>

On appeal, the Ninth Circuit held that the magistrate judge should have dictated the terms of the agreement, but nonetheless, there was no law requiring recorded settlement agreements.<sup>415</sup> The fact that a settlement was oral would not make it unenforceable under Illinois law.<sup>416</sup> A settlement agreement is enforced just like any other contract.<sup>417</sup>

The Ninth Circuit affirmed the district court's ruling and found that the plaintiff assumed the risk by failing to request that the settlement agreement be placed on the record.<sup>418</sup>

## **\*207 VII. Digital Millennium Copyright Act**

### **A. Safe Harbor Provisions**

eBay successfully employed the “safe harbor” provisions<sup>419</sup> of the Digital Millennium Copyright Act (DMCA) to avoid liability for contributory infringement by enabling sales of allegedly infringing DVDs of the documentary “Manson” in *Hendrickson v. eBay, Inc.*<sup>420</sup>

The Plaintiff was a documentary filmmaker claiming to be the copyright owner of a motion picture entitled “Manson.”<sup>421</sup> After finding several alleged unauthorized sellers of unauthorized DVDs of the film on eBay, the Plaintiff sent a nonspecific “cease and desist” letter to eBay. The letter did not identify what portions of the work infringed or provide verified proof of ownership as required by eBay’s policy designed to avail itself of the safe harbor provision of DMCA for online service providers who merely facilitate transactions in infringing goods.<sup>422</sup> Although eBay attempted to secure the plaintiff’s compliance with its policy by informing him of it and asking for the requisite information, the plaintiff brought three suits against the eBay sellers, eBay itself, and several eBay employees, including its in-house counsel.<sup>423</sup>

The district court granted eBay’s motion for summary judgment, finding that it qualified for the safe harbor provisions of § 512(c) of the Copyright Act. Finding no question as to whether eBay was a “service provider” within the meaning of the Act, the court found that § 512 (c) required a service provider to 1) have no knowledge of the infringing material or act expeditiously to remove it once notified; 2) have no direct financial or pecuniary interest in the infringement; and 3) act expeditiously to remove the infringing material once properly notified.<sup>424</sup>

Reviewing the statutory notification requirements of § 512 (c)(3),<sup>425</sup> the court found that the plaintiff’s notification to eBay fell short of substantial compliance with the requirements. The notice lacked a specification of which items infringed (DVD, VHS tapes, which versions if not all, etc.) and did not contain any statement of good-faith belief in the accuracy of the allegations made under penalty of perjury and, thus, was fatally defective.<sup>426</sup> The court found no dispute as to whether eBay \*208 had actual knowledge of the infringing character of the goods until the plaintiff’s “notice” to it (the statute provides that notice from the alleged proprietor of the material is not to be considered in whether the service provider had such knowledge).<sup>427</sup> Finally, the court found that eBay did not have the “right and ability to control” infringing activity and thus need not reach the financial benefit portion of the first prong of the safe harbor test. In so holding, the court dismissed the plaintiff’s argument that eBay’s voluntary attempts to sweep “apparent” [obviously infringing] infringements from the web site equated to a right and ability to control infringing activity, noting that eBay exercised little control over the auctions conducted on the web site.<sup>428</sup>

Finally, without citation of authority, the court held that the contributory infringement claims against eBay employees and officers failed because these persons were acting within the scope of their employment and thus cloaked with the same “immunity” as eBay itself.<sup>429</sup>

## **B. Anti-Circumvention Provisions (Constitutional Challenges)**

The Northern District of California considered whether certain sections of the Digital Millennium Copyright Act (DMCA) were constitutional in *United States v. Elcom, Ltd.*<sup>430</sup> The defendant was a software company who developed and sold a product known as the “Advanced eBook Processor” that allowed users to remove restrictions from Adobe Acrobat PDF files.<sup>431</sup> The copy protections in Adobe Systems’ technology for publishing books in digital form could be circumvented by a particular user with the defendant’s technology.<sup>432</sup> Therefore, the defendant corporation and the software’s principal author, Dmitri Sklyarov, were indicted for alleged violations of the DMCA and copyright law.<sup>433</sup>

The defendant claimed that DMCA section 1201(b) was unconstitutionally vague, that it violated the First Amendment because it constituted a content-based restriction on speech that did not serve a compelling government interest and infringed on First Amendment rights to engage in fair use, and that the U.S. Congress exceeded its constitutional power in enacting the DMCA.<sup>434</sup>

\*209 Congress enacted the DMCA seeking to prohibit certain efforts to unlawfully circumvent protective technologies while preserving users’ rights of fair use.<sup>435</sup> To balance the protection of rights to copyright owners and the preservation of fair use, Congress enacted new anti-circumvention prohibitions, one of which is Section 1201(b).<sup>436</sup> Under Section 1201(b), Congress banned only the trafficking in and marketing of devices largely intended to circumvent use restriction protective technologies.<sup>437</sup> “The prohibition in section 1201(b) extends only to devices that circumvent copy control measures. The decision not to prohibit the conduct of circumventing copy controls was made, in part, because it would penalize some noninfringing conduct such as fair use.”<sup>438</sup>

The district court held that Section 1201(b) was not unconstitutionally vague because the statute bans trafficking in or the marketing of all circumvention devices and thus there is no ambiguity in what tools are allowed versus what tools are prohibited.<sup>439</sup> Further, the DMCA was not unconstitutionally vague as applied to the defendant because it allowed conformance to a comprehensible standard.<sup>440</sup>

As for the defendant's First Amendment defenses, the court concluded that the appropriate standard to apply was intermediate scrutiny.<sup>441</sup> Under the intermediate scrutiny test, the regulation will be upheld if it furthers an important or substantial government interest unrelated to the suppression of free expression and if the restrictions on First Amendment freedoms are no greater than essential to the furtherance of that interest.<sup>442</sup> The court held that the governmental interests in enacting the DMCA were legitimate and substantial and that they in no way burdened substantially more speech than was necessary to achieve those interests; thus, the DMCA clearly withstood a vagueness argument.<sup>443</sup>

Finally, the court also rejected the defendant's argument that Congress exceeded its authority in enacting the DMCA. The U.S. Constitution contains several express grants of power to the U.S. Congress, and among those are the Intellectual Property Clause<sup>444</sup> and the Commerce Clause.<sup>445</sup> "The commerce power is the \*210 power to regulate; that is, to prescribe the rule by which commerce is to be governed. This power, like all others vested in Congress is complete in itself, may be exercised to its utmost extent, and acknowledges no limitations, other than are prescribed by the Constitution."<sup>446</sup> In light of the Constitution, Congress clearly had the power to enact the DMCA under the Commerce Clause.<sup>447</sup>

After rejecting all of the defendant's constitutional arguments, the district court denied the defendant's motion to dismiss the indictment.<sup>448</sup>

The Second Circuit considered constitutional challenges to the Digital Millennium Copyright Act (DMCA) in *Universal City Studios, Inc. v. Corley*.<sup>449</sup> The defendants were enjoined, under the anti-circumvention and anti-trafficking provisions of the DMCA,<sup>450</sup> from posting and linking to a DVD decryption code called DeCSS on their website, 2600.com.<sup>451</sup> The defendants appealed, challenging the constitutionality of these provisions, which attempt to prevent the distribution, through posting and linking, of technologies used to circumvent copy protection technologies. The constitutional challenges were based on the Copyright Clause because protecting circumvention technology gives rise to potentially perpetual protection; the First Amendment, as a content-based restriction on speech; and both clauses for allegedly impermissibly curtailing fair use of copyrighted material.<sup>452</sup>

The DeCSS software, which was written by a Norwegian teen, removed the CSS encryption from DVDs, permitting them to be freely copied and distributed via the internet and otherwise.<sup>453</sup>

After discussing the DMCA and its anti-circumvention and anti-trafficking provisions,<sup>454</sup> the court considered the threshold issue of whether the provisions could or should be narrowly construed to avoid the constitutional questions. The narrow construction arguments were that the fair use doctrine required a narrow reading of the statute to avoid conflict, that the language, "nothing in this section shall enlarge or diminish any rights of free speech or the press," requires a narrow \*211 construction, and finally, that a provision that permits trafficking in decryption technology if the copyright owner authorizes it,<sup>455</sup> permits those with authority to "view" the DVD with the authority to decrypt it (i.e., any legitimate owner of a DVD is entitled to decrypt and duplicate it).<sup>456</sup> The court made short shrift of all three arguments. The language of the statute providing exemptions for libraries and educational institutions to engage in circumvention undercut the argument that it was not to be interpreted to encompass circumvention technologies employed in the course of otherwise fair use.<sup>457</sup> The court found the above-quoted language precatory inasmuch as Congress could not abridge the First Amendment even if it so desired.<sup>458</sup> The final argument simply misconstrued the statute, which requires the consent of the copyright owner to circumvention of its anti-copying technology.<sup>459</sup>

The court went on to consider the challenges to the statute. The court dismissed the challenge to the statute based on the "for limited times" language of the Copyright Clause because it was raised only in a footnote and amicus curiae brief.<sup>460</sup> Moreover, the court noted, the record on this issue was undeveloped.<sup>461</sup> The court considered the First Amendment challenges far less cursorily.

The court had little trouble deciding that computer code is "speech" deserving of First Amendment protection, but it seemed to draw a frail distinction between that code or software requiring some human intervention and that requiring none at all (the latter would not be speech, apparently).<sup>462</sup> The scope of protection to which such code is entitled proved to be a different

matter.

The court concluded that the level of functionality of the code, although not destroying its character as speech, affects the level of First Amendment protection to which it is entitled.<sup>463</sup> The function of DeCSS is, according to the court, to circumvent the intellectual property rights of the owner, potentially on a massively \*212 unchecked scale, but, due to its character as speech, its prohibition does not fall solidly within the police power of Congress.<sup>464</sup>

Because that portion of the injunction preventing the posting of actual DeCSS code pertains only to the functional, rather than the “speech” component of DeCSS, the court found that the injunction was a content-neutral restriction and served the substantial government purpose of protecting copyrighted material against wholesale duplication.<sup>465</sup> Although the posting prohibition also prevents dissemination of the speech component of DeCSS, the defendants offered no less restrictive alternative. Accordingly, the portion of the injunction prohibiting posting of the code did not violate the First Amendment.<sup>466</sup>

The court next considered the portion of the injunction prohibiting “linking” from one website to another containing the DeCSS code. Again, the court found that the injunction affected only functional or non-speech aspects of the code.<sup>467</sup> However, because a link to another web page has a more substantial speech component (the speech contained on the linked-to website or website), the trial judge required:

clear and convincing evidence that those responsible for the link (a) know at the relevant time that the offending material is on the linked-to site, (b) know that it is circumvention technology that may not lawfully be offered, and (c) create or maintain the link for the purpose of disseminating that technology.<sup>468</sup> The Second Circuit held this adequate to narrowly tailor the prohibition as required by the First Amendment analysis requiring content-neutrality, a substantial government purpose, and narrow tailoring of the restriction.<sup>469</sup>

With respect to the defendants’ arguments that the DMCA and injunction unconstitutionally interfered with the right to make fair use of copyrighted works, the court found that no party before the trial court claimed to be making fair use of any copyrighted works; therefore, the question was not properly before the court.<sup>470</sup> Furthermore, the trial court correctly determined that the evidence as to the impact of the anti-trafficking provisions of the DMCA on prospective fair users was inadequate to support such a claim.<sup>471</sup> Finally, while fair use is closely related to the \*213 First Amendment, the court held that there was no constitutional dimension to the right to engage in fair use.<sup>472</sup>

Accordingly, the injunction was affirmed and the constitutionality of those portions of the DMCA under consideration upheld. The defendants elected not to pursue a writ of certiorari to the Supreme Court on the wise counsel of their attorneys.

#### Footnotes

<sup>a1</sup> Mark D. Perdue received his BSME from University of Texas at Austin in 1988 and his JD 1991. He is a Shareholder at Zisman Law Firm, PC in Dallas, Texas.

<sup>aa1</sup> Cory J. Feinberg received his BA from the University of Kansas in 1998 and his JD from SMU in 2001. He is an Associate at Zisman Law Firm, PC in Dallas, Texas.

<sup>1</sup> 261 F.3d 179, 59 U.S.P.Q.2d (BNA) 1639 (2d Cir. N.Y. 2001).

<sup>2</sup> Id. at 184, 59 U.S.P.Q.2d at 1641.

<sup>3</sup> Id. at 184-85, 59 U.S.P.Q.2d at 1641-42 .

<sup>4</sup> Id. at 187, 59 U.S.P.Q.2d at 1643-44.

5 Id. at 188, 59 U.S.P.Q.2d at 1644.

6 Id. at 194, 59 U.S.P.Q.2d at 1648-49 (citing Practice Mgmt. Info. Corp. v. Am. Med. Assoc., 121 F.3d 516, 518-19, 45 U.S.P.Q.2d (BNA) 1780, 1782-83 (9th Cir. 1997); Bldg. Officials & Code Adm. v. Code Tech., Inc., 628 F.2d 730, 734-35, 207 U.S.P.Q. (BNA) 81, 85 (1st Cir. 1980)).

7 261 F.3d at 193, 194, 59 U.S.P.Q.2d at 1649.

8 Id. at 184-85, 59 U.S.P.Q.2d at 1644-45.

9 Id. at 189-90, 191-92, 59 U.S.P.Q.2d at 1647, 1648.

10 264 F.3d 622, 60 U.S.P.Q.2d (BNA) 1080 (6th Cir. 2002).

11 Id. at 629-32, 60 U.S.P.Q.2d at 1083-85 (citing Creations Unlimited, Inc. v. McCain, 112 F.3d 814, 816, 42 U.S.P.Q.2d 1787, 1789 (5th Cir. 1997); Jones v. Virgin Records, Ltd., 643 F. Supp. 1153, 1159-60 (S.D.N.Y. 1986); In re Indep. Serv. Orgs. Antitrust Litig., 964 F. Supp. 1469, 1473 (D. Kan. 1997); Religious Tech. Ctr. v. Netcom On-Line Communication Servs., Inc., 923 F. Supp. 1231, 1241-42 (N.D. Cal. 1995)).

12 Id. at 622, 60 U.S.P.Q.2d at 1080.

13 Id. at 632-34, 60 U.S.P.Q.2d at 1085-86.

14 Id. at 638-39, 60 U.S.P.Q.2d at 1090; see also 17 U.S.C. § 301 (2000).

15 283 F.3d 502, 62 U.S.P.Q.2d (BNA) 1285 (2d Cir. 2002).

16 Id. at 504, 62 U.S.P.Q.2d at 1287.

17 17 U.S.C.A. § 411(a) (2000).

18 Copyright Office Circular No. 62 (Serials).

19 Morris, 283 F.3d 502, 506, 62 U.S.P.Q.2d at 1288.

20 Id. at 505, 62 U.S.P.Q.2d at 1287; see also Skidmore v. Swift & Co., 323 U.S. 134, 139, 89 L.Ed. 124, 65 S.Ct. 161 (1944).

21 Interim Regulation: Part 202--Registration Claims to Copyright, 43 Fed. Reg. 965 (1978).

22 Morris, 283 F.3d 502, 506, 62 U.S.P.Q.2d 1285, 1288.

23 283 F.3d 798, 62 U.S.P.Q.2d (BNA) 1217 (6th Cir. 2002).



24 Id. at 800, 62 U.S.P.Q.2d at 1217-18.

25 Id., 62 U.S.P.Q.2d at 1218.

26 Id.

27 Id.

28 Id.

29 Coles, 283 F.3d at 801, 62 U.S.P.Q.2d at 1218-19.

30 Id.

31 17 U.S.C. § 408(b) (2000).

32 See Kodadek v. MTV Networks, Inc., 152 F.3d 1209, 1211, 47 U.S.P.Q.2d (BNA) 1956, 1958 (9th Cir. 1998).

33 Coles, 283 F.3d at 802-03, 62 U.S.P.Q.2d at 1219.

34 Id. at 802, 62 U.S.P.Q.2d at 1219.

35 Id.

36 Id. at 804, 62 U.S.P.Q.2d at 1220.

37 Id.

38 290 F.3d 548, 63 U.S.P.Q.2d (BNA) 1001 (3rd Cir. 2002).

39 17 U.S.C.S. § 104A (2000).

40 Dam Things at 552, 63 U.S.P.Q.2d at 1005.

41 Id. at 560, 63 U.S.P.Q.2d at 1008.

42 Id. at 556-63 U.S.P.Q.2d at 1006.

43 Id.

44 Id. at 556-57, U.S.P.Q.2d at 1006

45 Id. at 557, 63 U.S.P.Q.2d at 1006

46 Dam Things, 290 F.3d. at 548, 63 U.S.P.Q.2d at 1006.

47 Id. at 560, 63 U.S.P.Q.2d at 1008.

48 17 U.S.C.S. § 104A (2000).

49 Dam Things, 290 F.3d at 563, 63 U.S.P.Q.2d at 1016.

50 Id.

51 Id.; 17 U.S.C.S. § 104A (2000).

52 17 U.S.C.S. § 104A(d)(3) (2000).

53 Dam Things, 290 F.3d at 566, 63 U.S.P.Q.2d at 1019.

54 No. 98 Civ. 4797, 2002 U.S. Dist. LEXIS 6111, 63 U.S.P.Q.2d (BNA) 1013 (S.D.N.Y. Apr. 8, 2002).

55 17 U.S.C.S. § 104A(h)(6)(C)(i) (2000).

56 Cordon Holding, No. 98 Civ. 4797, 2002 U.S. Dist. LEXIS 6111, at \*1-2, 63 U.S.P.Q.2d at 1014.

57 Id. at 2, 63 U.S.P.Q.2d at 1014.

58 Id. at 5, 63 U.S.P.Q.2d at 1015.

59 Id. at 25, 63 U.S.P.Q.2d at 1038.

60 17 U.S.C.S. § 104A(h)(6)(C)(i).

61 17 U.S.C.S. § 100 et seq.

62 17 U.S.C.S. § 1 et seq. (repealed).

63 17 U.S.C. § 10; see, e.g., *Mayhew v. Allsup*, 166 F.3d 821, 822, 49 U.S.P.Q.2d (BNA) 1631, 1633 (6th Cir. 1999).

64 *Mayhew*, 166 F.3d at 822, 49 U.S.P.Q.2d at 1633.

65 *Cordon Holding*, No. 98 Civ. 4797, 2002 U.S. Dist. LEXIS 6111, at \*26, 63 U.S.P.Q.2d at 1013.

66 *Id.* at 26-27, 63 U.S.P.Q.2d at 1020 (citing 17 U.S.C.S. § 104A(h)(6)).

67 *Id.* at 33, 63 U.S.P.Q.2d at 1022

68 *Id.* at 28, 63 U.S.P.Q.2d at 1020 (citing *Wet van 23 September 1912, Houdende Nieuwe Regeling van het Auteursrecht, Hoofdstuk III, Artikel 37(1)*).

69 *Id.*

70 *Id.* at 32, 63 U.S.P.Q.2d at 1022.

71 *Cordon Holding*, No. 98 Civ. 4797, 2002 U.S. Dist. LEXIS 6111 at \*33, 63 U.S.P.Q.2d at 1022 (citing 17 U.S.C. 104A(h)(3) (2000)).

72 290 F.3d 98, 62 U.S.P.Q.2d (BNA) 1807 (2d Cir. 2002).

73 *Id.* at 105, 62 U.S.P.Q.2d at 1811.

74 *Id.* at 105-06, 62 U.S.P.Q.2d at 1812.

75 *Id.* at 106, 62 U.S.P.Q.2d at 1812.

76 17 U.S.C. § 102 (a) (2000).

77 *L. Batlin & Son, Inc. v. Snyder*, 536 F.2d 486, 490, 189 U.S.P.Q. (BNA) 753, 756 (2d Cir. 1976) (en banc).

78 *Medforms, Inc.*, 290 F.3d at 107-09, 62 U.S.P.Q.2d at 1813-14.

79 *Id.* at 110, 62 U.S.P.Q.2d at 1815, (citing *Andrien v. S. Ocean County Chamber of Commerce*, 927 F.2d 132, 134, 18 U.S.P.Q.2d (BNA) 1041, 1043 (3d Cir. 1991)).

80 *Id.* at 113, 62 U.S.P.Q.2d at 1818; 37 C.F.R. 202.3 (b)(10) (2002).

81 *Medforms, Inc.*, 290 F.3d at 117, 62 U.S.P.Q.2d at 1821.

82 Foad Consulting Group, Inc. v. Musil Govan Azzalino, 270 F.3d 821, 60 U.S.P.Q.2d (BNA) 1656 (9th Cir. 2001).

83 Id. at 824, 60 U.S.P.Q.2d at 1657.

84 Id. at 825, 60 U.S.P.Q.2d at 1658.

85 Id.

86 908 F.2d 555, 15 U.S.P.Q.2d (BNA) 1559 (9th Cir. 1990).

87 Foad Consulting Group, 270 F.3d at 826, 60 U.S.P.Q.2d at 1658.

88 Id. at 826-27, 60 U.S.P.Q.2d at 1658-59.

89 Id. at 827-28, 60 U.S.P.Q.2d at 1659-60.

90 “All ideas, designs, arrangements and plans indicated or represented by this drawing are owned by, and the property of Foad Consulting Group, Inc. and were created, evolved and developed for use on, and in connection with the specified project. None of such ideas, designs, arrangements or plans shall be used without written permission of Foad Consulting Group, Inc.” Id. at 829, 60 U.S.P.Q.2d at 1661.

91 Id.

92 Id. at 829-30, 60 U.S.P.Q.2d at 1661.

93 Foad Consulting Group, 270 F.3d at 830, 60 U.S.P.Q.2d at 1662.

94 Id. at 831, 60 U.S.P.Q.2d at 1662.

95 270 F.3d 821, 830-831.

96 Id.

97 Id. 60 U.S.P.Q.2d at 1662-63.

98 Id. at 831 n. 18, 60 U.S.P.Q.2d at 1663 n. 18.

99 Foad Consulting Group, 270 F.3d at 832, 60 U.S.P.Q.2d at 1663.

100 Id.

101 Id. at 833-34, 60 U.S.P.Q.2d at 1664-65.

102 Id. at 837, 60 U.S.P.Q.2d at 1668.

103 Random House, Inc. v. Rosetta Books LLC, 283 F.3d 490, 491, 62 U.S.P.Q.2d (BNA) 1063, 1063 (2d Cir. 2002).

104 Id.

105 Id., 62 U.S.P.Q.2d at 1064.

106 Id. at 491-92, 62 U.S.P.Q.2d at 1064.

107 Id. at 491, 62 U.S.P.Q.2d at 1064.

108 Id. at 492, 62 U.S.P.Q.2d at 1064.

109 Random House, Inc., 283 F.3d at 492, 62 U.S.P.Q.2d at 1064.

110 275 F.3d 168, 171-72, 61 U.S.P.Q.2d (BNA) 1106, 1108 (2d Cir. 2001).

111 Id. at 173, 61 U.S.P.Q.2d at 1109.

112 Id. at 173, 61 U.S.P.Q.2d at 1110.

113 Id. at 171, 61 U.S.P.Q.2d at 1108

114 Id. at 174, 61 U.S.P.Q.2d at 1110.

115 Id. at 175, 61 U.S.P.Q.2d at 1110-11.

116 Broad. Music, Inc., 275 F.3d at 176, 61 U.S.P.Q.2d at 1111-12.

117 Id. at 177, 61 U.S.P.Q.2d at 1112.

118 Id. at 178 n. 2, 61 U.S.P.Q.2d at 1113 n. 2.

119 Id. at 177-78, 61 U.S.P.Q.2d at 1113.

120 Id. at 178-79, 61 U.S.P.Q.2d at 1113.

121 60 U.S.P.Q.2d (BNA) 1354.

122 Id. at 1357.

123 Id. at 1356.

124 Id.

125 Id. at 1356-57.

126 Id. at 1357-58.

127 Rodgers and Hammerstein, 60 U.S.P.Q.2d at 1357.

128 Id.

129 Id.

130 155 F.3d 17, 24 (2d Cir. 1998).

131 Id. at 1358 (citing Fred Ahlert Music Corp. v. Warner/Chappel Music, Inc., 155 F.3d 17, 24, 47 U.S.P.Q.2d (BNA) 1356, 1362 (2d Cir. 1998)).

132 Id. (citing 17 U.S.C. § 115).

133 Rodgers and Hammerstein, 60 U.S.P.Q.2d at 1360.

134 153 F. Supp. 2d 763, 59 U.S.P.Q.2d (BNA) 1622 (E.D. Pa. 2001).

135 Public Performance of Sound Recordings, 65 Fed. Reg. 77292 (Dec. 11, 2000).

136 Bonneville Int'l Corp., 153 F. Supp. at 765, 59 U.S.P.Q.2d at 1623.

137 Id.

138 Id. at 766-69, 59 U.S.P.Q.2d at 1624-26.

139 Id. at 771-73, 59 U.S.P.Q.2d at 1628-30.

140 Id. at 779-84, 59 U.S.P.Q.2d at 1634-38.

141 Id. at 774-76, 59 U.S.P.Q.2d at 1630-32.

142 *Bonneville Int'l Corp.*, 153 F.Supp. at 775-76, 59 U.S.P.Q.2d at 1631-32.

143 Id. at 782-83, 59 U.S.P.Q.2d at 1637.

144 Id. at 783-84, 59 U.S.P.Q.2d at 1637-38.

145 Id. at 784, 59 U.S.P.Q.2d at 1638.

146 275 F.3d 726, 61 U.S.P.Q.2d (BNA)1378 (8th Cir. 2002).

147 Id. at 727-728, 61 U.S.P.Q.2d at 1378-80.

148 Id. at 729, 61 U.S.P.Q.2d at 1380.

149 Id.

150 Id. at 730, 61 U.S.P.Q.2d at 1381.

151 Id.

152 *Schoolhouse, Inc.*, 275 F.3d at 730-731, 61 U.S.P.Q.2d at 1381.

153 Id. at 731, 61 U.S.P.Q.2d at 1382.

154 287 F.3d 936, 62 U.S.P.Q.2d (BNA) 1491 (10th Cir. 2002).

155 Id. at 940, 62 U.S.P.Q.2d at 1492-93.

156 Id., 62 U.S.P.Q.2d 1493.

157 Id. at 940-41, 944, 62 U.S.P.Q.2d at 1493, 1495.

158 Id. at 942-43, 62 U.S.P.Q.2d at 1494.

159 471 U.S. 539, 225 U.S.P.Q. (BNA) 1073 (1985).

160 Jacobson, 287 F.3d at 947, 62 U.S.P.Q.2d at 1498 (discussing Harper & Row, 471 U.S. 539, 225 U.S.P.Q. 1073 (1985)).

161 Id.

162 Id. at 947-48, 62 U.S.P.Q.2d at 1498.

163 Id. at 948, 62 U.S.P.Q.2d at 1498.

164 Id. at 955, 62 U.S.P.Q.2d at 1504.

165 281 F.3d 1287, 62 U.S.P.Q.2d (BNA) 1071 (D.C. Cir. 2002).

166 Id. at 1291, 62 U.S.P.Q.2d at 1073.

167 Id. at 1292, 62 U.S.P.Q.2d at 1073.

168 Id.

169 Id.

170 Sturdza, 281 F.3d at 1292, 62 U.S.P.Q.2d at 1073.

171 Id. at 1295, 62 U.S.P.Q.2d 1075.

172 Id. at 1295-96, 62 U.S.P.Q.2d at 1075-76.

173 Arnstein v. Porter, 154 F.2d 464, 473, 68 U.S.P.Q. (BNA) 288, 296-97 (2d Cir. 1946).

174 Sturdza, 281 F.3d at 1296, 62 U.S.P.Q.2d at 1076-77 (citing A.A. Hoehling v. Universal City Studios, Inc., 618 F.2d 972, 977, 205 U.S.P.Q. 681, 685 (2d Cir. 1980)).

175 Id. at 1299, 62 U.S.P.Q.2d at 1079.

176 Id.

177 Id. at 1307, 62 U.S.P.Q.2d at 1085.

178 297 F.3d 815, 62 U.S.P.Q.2d (BNA) 1946 (9th Cir. 2002).

179 Id. at 819, 62 U.S.P.Q.2d at 1948.



180 Id.

181 Id.

182 Id.

183 Id. at 821-22, 62 U.S.P.Q.2d at 1950.

184 Cavalier, 297 F.3d at 829, 62 U.S.P.Q.2d at 1955.

185 Id.

186 Id. at 822, 62 U.S.P.Q.2d at 1950.

187 Id., 62 U.S.P.Q.2d at 1950.

188 Id., 62 U.S.P.Q.2d at 1950 (citing Kouf v. Walt Disney Pictures & Television, 16 F.3d 1042, 1045, 29 U.S.P.Q.2d (BNA) 1877, 1879 (9th Cir. 1994)).

189 Id. (citing Kouf v. Walt Disney Pictures & Television, 16 F.3d 1042, 1045, 29 U.S.P.Q.2d (BNA) 1877, 1879 (9th Cir. 1994)).

190 Cavalier, 297 F.3d at 824, 62 U.S.P.Q.2d at 1951.

191 Id. at 824-25, 62 U.S.P.Q.2d at 1952-53.

192 Id. at 828, 62 U.S.P.Q.2d at 1955.

193 273 F.3d 262, 60 U.S.P.Q.2d (BNA) 1974 (2d Cir. 2001).

194 Id. at 269, 60 U.S.P.Q.2d at 1977.

195 Id. at 266, 60 U.S.P.Q.2d at 1975.

196 Id.

197 Id., 60 U.S.P.Q.2d at 1977.

198 Id.

199 Boisson, 273 F.3d at 269, 60 U.S.P.Q.2d at 1978.

200 Id. at 269-70, 60 U.S.P.Q.2d at 1978.

201 Id. at 271, 60 U.S.P.Q.2d at 1979.

202 Id. at 272, 60 U.S.P.Q.2d at 1980.

203 Id.

204 Id.

205 Boisson, 273 F.3d at 273-74, 60 U.S.P.Q.2d at 1981.

206 Id. at 274-75, 60 U.S.P.Q.2d at 1982.

207 Id. at 276, 60 U.S.P.Q.2d at 1983.

208 272 F.3d 441, 60 U.S.P.Q.2d (BNA) 1792 (7th Cir. 2001).

209 Id. at 445, 60 U.S.P.Q.2d at 1793.

210 Id.

211 Id. at 446-47, 60 U.S.P.Q.2d at 1794.

212 Id. at 446-48, 60 U.S.P.Q.2d at 1794.

213 Id. at 448, 60 U.S.P.Q.2d at 1795.

214 Susan Wakeen Doll Company, Inc., 272 F.3d at 448, 60 U.S.P.Q.2d at 1795.

215 Id. at 448, 60 U.S.P.Q.2d at 1794-95.

216 Id. at 449, 60 U.S.P.Q.2d at 1795-96.

217 Id., 60 U.S.P.Q.2d at 1796.

218 Id.

219 Id. at 450-52, 60 U.S.P.Q.2d at 1797-98.

220 Susan Wakeen Doll Company, Inc., 272 F.3d at 452-53, 60 U.S.P.Q.2d at 1798-99.

221 Id. at 454, 60 U.S.P.Q.2d at 1799.

222 Id. at 454-55, 60 U.S.P.Q.2d at 1799-1800.

223 Id. at 455, 60 U.S.P.Q.2d at 1800-01.

224 Id. at 456, 60 U.S.P.Q.2d at 1801-02.

225 Id. at 457-58, 60 U.S.P.Q.2d at 1803.

226 272 F.3d at 458, 60 U.S.P.Q.2d at 1803.

227 268 F.3d 1257, 60 U.S.P.Q.2d (BNA) 1225 (11<sup>th</sup> Cir. 2001). The Eleventh Circuit earlier vacated the injunction as a prior restraint in *SunTrust Bank v. Houghton Mifflin Co.*, 136 F. Supp. 2d 1357, 58 U.S.P.Q.2d (BNA) 1652 (N.D.Ga. 2001), vacated, 252 F.3d 1165, 58 U.S.P.Q.2d (BNA) 1800 (11<sup>th</sup> Cir. 2001).

228 268 F.3d at 1259, 60 U.S.P.Q.2d at 1226.

229 Id. at 1260-65, 60 U.S.P.Q.2d at 1227-31.

230 Id. at 1264-65, 60 U.S.P.Q.2d at 1230-31.

231 Id. at 1266-67, 60 U.S.P.Q.2d at 1232-33.

232 Id. at 1268, 60 U.S.P.Q.2d at 1233.

233 510 U.S. 569, 590, 29 U.S.P.Q.2d (BNA) 1961 (1994).

234 Suntrust Bank, 268 F.3d at 1268, 60 U.S.P.Q.2d at 1233.

235 Id. (quoting *Campbell*, 510 U.S. at 582, 29 U.S.P.Q.2d at 1967).

236 Id. at 1268-69, 60 U.S.P.Q.2d at 1233-34.

237 Id. at 1269, 60 U.S.P.Q.2d at 1234.

238 Id.

239 Id. at 1269 n. 23, 60 U.S.P.Q.2d at 1234 n. 23.

240 Suntrust Bank, 268 F.3d at 1269-71, 60 U.S.P.Q.2d at 1234-35.

241 Id. at 1271, 60 U.S.P.Q.2d at 1235.

242 Id. at 1273-74, 60 U.S.P.Q.2d at 1236-38.

243 Id. at 1272, 60 U.S.P.Q.2d at 1235-36.

244 Id. at 1275-76, 60 U.S.P.Q.2d at 1239.

245 Id. at 1275-76, 60 U.S.P.Q.2d at 1239.

246 Suntrust Bank, 268 F.3d at 1276, 60 U.S.P.Q.2d at 1239.

247 Id. at 1277, 60 U.S.P.Q.2d at 1240.

248 Id. at 1277-83, 60 U.S.P.Q.2d at 1240-44.

249 Id. at 1282-83, 60 U.S.P.Q.2d at 1244-45.

250 292 F.3d 512, 63 U.S.P.Q.2d (BNA) 1055 (7th Cir. 2002).

251 Id. at 524, 63 U.S.P.Q.2d at 1062.

252 17 U.S.C. §§ 101, 102(a)(5) (2000).

253 Ty, Inc., 292 F.3d at 515, 63 U.S.P.Q.2d at 1056.

254 Id.

255 Id.

256 Id.

257 Id. at 523, 63 U.S.P.Q.2d at 1062.

258 Id.

259 Ty, Inc., 292 F.3d at 522, 63 U.S.P.Q.2d at 1061.

260 17 U.S.C. § 107 (2000).

261 Id.

262 Ty, Inc., 292 F.3d at 524, 63 U.S.P.Q.2d at 1055.

263 280 F.3d 934, 61 U.S.P.Q.2d (BNA) 1564 (9th Cir. 2002).

264 Id. at 938, 61 U.S.P.Q.2d at 1564.

265 Id., 61 U.S.P.Q.2d at 1564-65.

266 Id., 61 U.S.P.Q.2d at 1565.

267 Id.

268 Id. at 939, 61 U.S.P.Q.2d at 1565.

269 Kelly, 280 F.3d at 939, 61 U.S.P.Q.2d at 1566.

270 17 U.S.C. § 107 (2000).

271 Kelly, 280 F.3d at 944, 61 U.S.P.Q.2d at 1569.

272 Id. at 943, 61 U.S.P.Q.2d at 1568.

273 Id. at 944, 61 U.S.P.Q.2d at 1569.

274 Id.

275 Id. at 948, 61 U.S.P.Q.2d at 1572.

276 Id. at 948-49, 61 U.S.P.Q.2d at 1572.

277 291 F.3d 839, 62 U.S.P.Q.2d (BNA) 1935 (D.C. Cir. 2002).

278 Id. at 841-42, 62 U.S.P.Q.2d at 1937.

279 Id. at 842-43, 62 U.S.P.Q.2d at 1937.

280 Id. at 843-84, 62 U.S.P.Q.2d at 1938.

281 Id. at 844, 62 U.S.P.Q.2d at 1940.

282 Id. at 844, 62 U.S.P.Q.2d at 1938 (quoting *T.B. Harms Co. v. Eliscu*, 339 F.2d 823, 828, 144 U.S.P.Q. (BNA) 46, 50 (2d Cir. 1964)).

283 17 U.S.C. § 502(a) (2000) (providing injunctive relief); 17 U.S.C. § 505 (2000) (providing reasonable attorney's fees).

284 *Scandinavian Satellite Sys.*, 291 F.3d at 845, 62 U.S.P.Q.2d at 1939.

285 Id. at 846, 62 U.S.P.Q.2d at 1939-40.

286 Id. (quoting 9 *Victoria A. Braucher, Et al.*, *Fletcher Cyclopedia of the Law of Private Corporations* § 4229 (1999)).

287 Id. at 847, 62 U.S.P.Q.2d at 1940.

288 285 F.3d 857, 62 U.S.P.Q.2d (BNA) 1375 (9th Cir. 2002).

289 Id. at 860, 62 U.S.P.Q.2d at 1376.

290 Id.

291 Id. at 861, 62 U.S.P.Q.2d at 1377; 17 U.S.C. § 408(b)(2) (2000).

292 17 U.S.C. § 408(c)(1) (2000).

293 37 C.F.R. § 202.20(c)(2)(vii)(A) (2002).

294 *Syntek*, 285 F.3d at 859, 62 U.S.P.Q.2d at 1379.

295 Id. at 862, 62 U.S.P.Q.2d at 1377.

296 *Reiter v. Cooper*, 507 U.S. 258, 269 (1993).

297 *Syntek*, 285 F.3d at 863, 62 U.S.P.Q.2d at 1379.

298 282 F.3d 147, 61 U.S.P.Q.2d (BNA) 1761 (2d Cir. 2002).

299 Fed. R. Civ. P. 12(b)(6).

300 Chambers, 282 F.3d at 150, 61 U.S.P.Q.2d at 1762.

301 Id.

302 Id., 61 U.S.P.Q.2d at 1762-63.

303 Id. at 151, 61 U.S.P.Q.2d at 1763; Fed. R. Civ. P. 12(b)(6).

304 Chambers, 282 F.3d at 151, 61 U.S.P.Q.2d at 1763.

305 Id. at 152, 61 U.S.P.Q.2d at 1764.

306 Id. (quoting Fed. R. Civ. P. 12(b)).

307 Int'l Audiotext Network, Inc. v. Am. Tel. & Tel. Co., 62 F.3d 69, 72 (2d Cir. 1995) (per curiam) (quoting Cortec Indus., Inc. v. Sum Holding L.P., 949 F.2d 42, 47 (2d Cir. 1991); see also Fed. R. Civ. P. 10(c) (“A copy of any written instrument which is an exhibit to a pleading is a part thereof for all purposes.”)).

308 Chambers, 282 F.3d at 154-55, 61 U.S.P.Q.2d at 1766.

309 Id.

310 Fed. R. Civ. P. 8(a)(2); see also 5A Charles Alan Wright & Arthur R. Miller, Federal Practice and Procedure § 1366 (2d ed. 1990 & Supp. 2001).

311 Chambers, 282 F.3d at 156, 61 U.S.P.Q.2d at 1767.

312 171 F. Supp. 2d 1183, 61 U.S.P.Q.2d (BNA) 1017 (D. Kan. 2001).

313 Id. at 1188, 61 U.S.P.Q.2d at 1019.

314 Id.

315 Id. at 1189-90, 61 U.S.P.Q.2d at 1020-21.

316 Id. at 1191, 61 U.S.P.Q.2d at 1021 (citing Summit Mach. Tool Mfg. Corp. v. Victor CNC Sys., Inc., 7 F.3d 1434, 1439-40, 30

U.S.P.Q.2d (BNA) 1302, 1305 (9th Cir. 1993)).

317 Id. at 1191, 61 U.S.P.Q.2d at 1021 (citing *Rubin v. Brooks/Cole Publ'g Co.*, 836 F. Supp. 909, 923, 29 U.S.P.Q.2d (BNA) 1335, 1345 (D. Mass. 1993)).

318 *Kindergartners Count, Inc.*, 171 F. Supp. 2d at 1192, 61 U.S.P.Q.2d at 1022.

319 Id. at 1192-93, 61 U.S.P.Q.2d at 1022.

320 Id. at 1192-93, 61 U.S.P.Q.2d at 1022 (citing *Nat'l Basketball Ass'n v. Motorola, Inc.*, 105 F.3d 841 at 849-50, 41 U.S.P.Q.2d (BNA) 1585, 1592-93 (2d Cir. 1997)); *United States ex rel. Berge v. Trustees of Univ. of Ala.*, 104 F.3d 1453, 1463, 41 U.S.P.Q.2d (BNA) 1481, 1488 (4th Cir. 1997), cert. denied, 522 U.S. 916 (1997); *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1454, 39 U.S.P.Q.2d (BNA) 1161, 1166 (7th Cir. 1996).

321 *Chambers*, 171 F. Supp. 2d at 1193, 61 U.S.P.Q.2d at 1022 (citing *Zeidenberg*, 86 F.3d 1447, 1453, 39 U.S.P.Q.2d (BNA) 1161, 1165).

322 265 F.3d 994, 60 U.S.P.Q.2d (BNA) 1184 (9th Cir. 2001).

323 Id. at 999-1000, 60 U.S.P.Q.2d at 1186.

324 Id. at 1001, 60 U.S.P.Q.2d at 1187.

325 Id. at 999, 60 U.S.P.Q.2d at 1187.

326 Id. at 1002, 60 U.S.P.Q.2d at 1188.

327 Id. at 1002-03, 60 U.S.P.Q.2d at 1188.

328 Id. at 1003-04, 60 U.S.P.Q.2d at 1189.

329 *Downing*, 265 F.3d at 1003-04, 60 U.S.P.Q.2d at 1189.

330 See, e.g., *White v. Samsung Elec. Am., Inc.*, 971 F.2d 1395, 1400-01, 23 U.S.P.Q.2d (BNA) 1583, 1586-88 (9th Cir. 1992).

331 *Downing*, 265 F.3d at 1007-09, 60 U.S.P.Q.2d at 1191-93.

332 Id. at 1009-10, 60 U.S.P.Q.2d at 1194.

333 266 F.3d 1305, 60 U.S.P.Q.2d (BNA) 1468 (11th Cir. 2001).

334 Id. at 1308-09, 60 U.S.P.Q.2d at 1470-71.



335 Id. at 1309, 60 U.S.P.Q.2d at 1470-71.

336 Id. at 1311, 60 U.S.P.Q.2d at 1472.

337 Id.

338 Id. at 1312, 60 U.S.P.Q.2d at 1473.

339 Lipscher, 266 F.3d at 1312, 60 U.S.P.Q.2d at 1473.

340 Id. at 1318-19, 60 U.S.P.Q.2d at 1478.

341 Id. at 1319, 60 U.S.P.Q.2d at 1478.

342 263 F.3d 942, 59 U.S.P.Q.2d (BNA) 1880 (9th Cir. 2001).

343 Id. at 947-49, 59 U.S.P.Q.2d at 1881-83.

344 Id. at 949-50, 59 U.S.P.Q.2d at 1883-84.

345 Id., 59 U.S.P.Q.2d at 1884.

346 Id. at 952-59 U.S.P.Q.2d at 1886.

347 Id. at 952-53, 59 U.S.P.Q.2d at 1885-86.

348 Danjaq LLC, 263 F.3d at 955-56, 59 U.S.P.Q.2d at 1888-89.

349 Id. at 956-58, 59 U.S.P.Q.2d at 1889-90.

350 Id. at 954, 59 U.S.P.Q.2d at 1887.

351 Id. at 960, 59 U.S.P.Q.2d at 1891-92.

352 284 F.3d 1091, 62 U.S.P.Q.2d (BNA) 1221 (9th Cir. 2002).

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354 A&M Records, 284 F.3d at 1095, 62 U.S.P.Q.2d at 1222.

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356 Id. at 1096, 62 U.S.P.Q.2d at 1222.

357 Id., 62 U.S.P.Q.2d at 1222-23.

358 Id. at 1096-97, 62 U.S.P.Q.2d at 1222-23.

359 Id. at 1098, 62 U.S.P.Q.2d at 1224 (citing *Sys. Fed'n No. 91 v. Wright*, 364 U.S. 642, 647-48 (1961)).

360 A&M Recordings, 284 F.3d at 1098, 62 U.S.P.Q.2d at 1223-24.

361 Id. at 1099, 62 U.S.P.Q.2d at 1224.

362 277 F.3d 59, 61 U.S.P.Q.2d (BNA) 1374 (1st Cir. 2002).

363 Id. at 61, 61 U.S.P.Q.2d at 1375.

364 Id. at 61-62, 61 U.S.P.Q.2d at 1375.

365 Id.

366 Id. at 62, 61 U.S.P.Q.2d at 1375-76.

367 Id. at 62-63, 61 U.S.P.Q.2d at 1375-76.

368 *Ortiz-Gonzalez*, 277 F.3d at 63, 61 U.S.P.Q.2d at 1376.

369 Id. at 63-64, 61 U.S.P.Q.2d at 1377.

370 Id. at 65, 61 U.S.P.Q.2d at 1378.

371 290 F.3d 983, 62 U.S.P.Q.2d (BNA) 1821 (9th Cir. 2002).

372 Id. at 986, 62 U.S.P.Q.2d at 1822.

373 Id.

374 Id.

375 Id.

376 Id.

377 Berkla, 290 F.3d at 992, 62 U.S.P.Q.2d at 1827.

378 Id. at 996, 62 U.S.P.Q.2d at 1830.

379 17 U.S.C. § 505 (2000).

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381 *Lieb v. Topstone Indus.*, 788 F.2d 151, 156, 229 U.S.P.Q. (BNA) 426 (3rd Cir. 1986).

382 Berkla, 290 F.3d at 996, 62 U.S.P.Q.2d at 1830 (quoting *Lieb*, 788 F.2d at 156, 229 U.S.P.Q. at 429).

383 Id. at 997, 62 U.S.P.Q.2d at 1830.

384 Id. at 997-98, 62 U.S.P.Q.2d at 1830-31.

385 286 F.3d 1118, 62 U.S.P.Q.2d (BNA) 1385 (9th Cir. 2002).

386 Id. at 1121, 62 U.S.P.Q.2d at 1385.

387 Id., 62 U.S.P.Q.2d at 1386.

388 Id. at 1122-23, 62 U.S.P.Q.2d at 1386-87.

389 Id. at 1124, 62 U.S.P.Q.2d at 1387.

390 Id., 62 U.S.P.Q.2d at 1388.

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392 Id. at 1130, 62 U.S.P.Q.2d at 1392.

393 Fed. R. Civ. P. 11.

394 See, *Bus. Guides, Inc. v. Chromatic Communications Enter.*, 892 F.2d 802, 813 (9th Cir. 1989).

395 *Christian*, 286 F.3d at 1131, 62 U.S.P.Q.2d at 1393.

396 *Id.* at 1132, 62 U.S.P.Q.2d at 1394.

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398 Fed. R. Civ. P. 68.

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400 *Harbor Motor*, 265 F.3d at 640-42, 60 U.S.P.Q.2d at 1284-85.

401 *Id.* at 642, 60 U.S.P.Q.2d at 1285.

402 *Id.* at 643, 60 U.S.P.Q.2d at 1286.

403 *Id.*

404 *Id.* at 644-45, 60 U.S.P.Q.2d at 1287-88.

405 *Id.* at 645, 60 U.S.P.Q.2d at 1288 (citing *Marek v. Chesny*, 473 U.S. 1, 10 (1985)).

406 *Id.* at 645-46, 60 U.S.P.Q.2d at 1288-89.

407 *Id.* at 646-47, 60 U.S.P.Q.2d at 1289.

408 *Harbor Motor*, 265 F.3d at 648, 60 U.S.P.Q.2d at 1290.

409 *Id.*

410 279 F.3d 487, 61 U.S.P.Q.2d (BNA) 1603 (7th Cir. 2002).

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413 Id.

414 Id. at 488, 61 U.S.P.Q.2d at 1603.

415 Id. at 490, 61 U.S.P.Q.2d at 1605.

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420 165 F. Supp.2d 1082, 60 U.S.P.Q.2d (BNA) 1335 (C.D. Cal. 2002).

421 Id. at 1084, 61 U.S.P.Q.2d at 1336.

422 Id. at 1083-86, 60 U.S.P.Q.2d at 1335-39.

423 Id. at 1086, 60 U.S.P.Q.2d at 1338.

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425 Hendrickson, 165 F. Supp. 2d at 1086, 60 U.S.P.Q.2d at 1340.

426 Id. at 1091-92, 60 U.S.P.Q.2d at 1342-43.

427 Id. at 1092-93, 60 U.S.P.Q.2d at 1343.

428 Id. at 1093-94, 60 U.S.P.Q.2d at 1343-44

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430 203 F. Supp. 2d 1111, 62 U.S.P.Q.2d (BNA) 1736 (N.D. Cal. 2002).

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441 Id. at 1129, 62 U.S.P.Q.2d at 1746.

442 Id. at 1128, 62 U.S.P.Q.2d at 1746; see also *Turner Broad. Sys., Inc. v. FCC*, 512 U.S. 622, 662 (1994).

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450 17 U.S.C. §§ 1201(a)(1), 1201(a)(2), 1201(b)(1), 1203 and 1204 (2000), see also *Universal City Studios, Inc. v. Reimerdes*, 111 F. Supp. 2d 346 (S.D.N.Y. 2000).

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