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Recent Developments

RECENT DEVELOPMENTS IN COPYRIGHT LAW

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***112 I. Introduction**

This article reviews copyright opinions in the U.S. courts published between August 2002 and July 2003, as well as legislation affecting copyright passed in that period. The courts addressed a wide array of issues during that period, ranging from traditional copyright issues to the application of new copyright law to the application of traditional law to new technologies. The most exciting and contentious cases represented a similar diversity of topics. Given the large number of copyright cases published during the time period covered, this article does not attempt a complete review; rather, it focuses on opinions that are likely to be of most concern to practitioners.

The “traditional” issues addressed included the merger doctrine, originality, and preemption. Not surprisingly, one of the most entertaining cases involved application of the fair use doctrine (when one is as perfect as poor Barbie, one is doomed to a life of ridicule).

*113 Perhaps the most anticipated copyright case in years - the Supreme Court's decision in *Eldred v. Ashcroft*¹ - came down during the past year and addressed the traditional copyright issue of term of protection.² To be fair, however, the argument can be made that both the Copyright Term Extension Act to which Eldred objected and the filing of the lawsuit were reactions to the range of possibilities presented by new technology.

Many cases dealt with the challenges presented by new technology. One court clarified that simple hyperlinks do not infringe copyright.³ Some cases challenged and attempted to clarify the application of the Digital Millennium Copyright Act,⁴ while others reflected the continued and growing conflict between the Recording Industry Association of America and both services and end users engaged in online file sharing.⁵

II. Subject Matter and Scope of Copyright

A. Originality

Both plaintiff and defendant in *Sunham Home Fashions LLC v. PEM-America, Inc.*⁶ designed, manufactured, imported, and sold quilts and bed linens. The case involved six patterns created by plaintiff and used on quilts and pillow shams. Plaintiff obtained registration for these patterns with the U.S. Copyright Office. The quilts at issue were designed and manufactured in China. This case arose when a retailer notified plaintiff that it had received shipments from defendant identifying the goods as those of plaintiff. The defendant claimed that plaintiff had placed an order for quilts from the factory that shipped the quilts at issue and later canceled that order after the factory had already produced some of the quilts and had obtained fabric for additional quilts. Defendant claimed that the Chinese manufacturer of the quilts had given the factory permission to sell the unwanted quilts and fabric on the open market. The factory then used the quilts and fabric from plaintiff's canceled order to fulfill defendant's order. Plaintiff sought a preliminary *114 injunction to enjoin defendant from importing or selling any additional infringing quilts.⁷

The court examined defendant's claim that plaintiff's works were not original and did not contain copyrightable subject matter.⁸ The court found that the works contained "at least modest originality," noting that "although the idea of a plaid or floral pattern may not of its own be original, the patterns' sizes, shapes, arrangements, and colors taken together are original and copyrightable."⁹ The court cited *Boisson v. Banian, Ltd.*,¹⁰ which also involved the design of quilts.¹¹ The quilts at issue in *Boisson* consisted of square blocks containing capital letters displayed in order in rows and columns and made up of different colors.¹² In that case, the Second Circuit held that a "particular layout for design may be original and protectable" and that "an original combination of colors" constituted protectable artistic expression because of author's choice in incorporating the colors.¹³ Turning to the case at bar, the *Sunham Home* court found that the design was original and copyrightable because "careful thought" had gone into the selection of colors used, the size of the shapes in the designs, and the spacing of the designs' patterns.¹⁴

B. Merger Doctrine and Scènes à Faire

In *Bucklew v. Hawkins, Ash Baptie & Co.*,¹⁵ plaintiff created software meant to be used in conjunction with standard spreadsheet applications by local housing authorities in completing Housing and Urban Development ("HUD") Department forms.¹⁶ In addition to specific basic data, the forms required manipulation of the data, which plaintiff's software performed.¹⁷ Plaintiff sued defendant for, inter alia, copyright infringement, for which plaintiff was awarded damages of \$660,000, which were reduced by the trial judge to \$395,000. Defendant appealed.¹⁸

*115 The Seventh Circuit began its analysis by citing case law establishing that, when the similarities between two works "concerned details of such an arbitrary character that the probability that the infringer had duplicated them independently is remote, an inference of copying may be drawn without any additional evidence."¹⁹ The court noted that mapmakers sometimes include a fictitious geographical feature in their maps so that if that feature is duplicated in a third party's map, "the inference of copying is compelling."²⁰ The court found that this was the case with regard to one of the four forms that plaintiff alleged defendant had copied.²¹ In support of this finding, the court cited "an arbitrary pattern of bold-facing of cells" in both plaintiff's and defendant's works; an intermediate table carried over from the previous version of plaintiff's program that had no function in the instant version of the program, which occurred in both works; the use of a font in both programs that was not available in the version of the Windows operating system that defendant used to develop its work; and the use of identical subject headings that differed from the subject headings used by the HUD forms.²²

Defendant argued that, even if it copied plaintiff's work, the copying did not constitute infringement under the doctrines of merger and *scènes à faire*.²³ The court rejected defendant's argument, stating that if plaintiff had claimed copyright in the tabular presentation of the data required by HUD, the case would be governed by *Baker v. Selden*,²⁴ thereby invalidating plaintiff's copyright infringement claim.²⁵ However, the court found that this was not the case, since plaintiff was claiming copyright in "tables configured in an optional way, tables that are the product of format choices that are not unavoidable, for which indeed there were an immense number of alternative combinations, any one of which [defendant] was free to use in lieu of [plaintiff's]."²⁶ The court found that the "arbitrary details" included in plaintiff's work contributed originality to the work and were not "generic," thus rejecting defendant's argument that plaintiff's claim was blocked by the merger doctrine.²⁷

***116** Referencing the doctrine of *scènes à faire*, the court stated that infringement cannot be found on the basis of "rudimentary, commonplace, standard or unavoidable" elements alone.²⁸ Although the court held that the evidence sufficiently established defendant's infringement of one of plaintiff's forms, it held that the same was not true of the remaining three forms, which contained "fewer traces of borrowing."²⁹ The court found that the principal borrowed items, namely the captions "input range" and "criteria range," the use of "CRIT 1" and "CRIT 2" to designate specific criteria, and the designation of each category as a "type," constituted good examples of *scènes à faire*, or "standard expressions, like language itself, without which the would-be author of an expressive work would be speechless."³⁰

Plaintiff in *American Massage Therapy Ass'n v. Maxwell Petersen Ass'ns*³¹ created the 1999 American Massage Therapy Association Registry ("Registry"), which contained a roster of officers and staff, corporate bylaws, and the names and addresses of over 36,000 AMTA members listed geographically and by category of membership. The Registry also included an illustrated cover, a table of contents, a list of the board of directors, a mission statement and goals, and a code of ethics. Defendant obtained a copy of the Registry and copied 17,600 names and addresses from it to add to a mailing list of massage therapists that defendant was compiling. Plaintiff charged defendant with, inter alia, copyright infringement.³² Defendant conceded that plaintiff owned a valid copyright in the Registry as a whole; thus, the question before the court was whether the names and addresses copied from the Registry amounted to original elements of the work.³³

The court cited *Feist Publications Inc. v. Rural Telephone Service Co.*³⁴ for the proposition that "names, addresses, and telephone numbers of which the plaintiff by no stretch of the imagination could be called the author" are not protectable by copyright.³⁵ The court went on to cite section 103(b) of the Copyright Act, which states that the copyright protection of a compilation does not extend to preexisting material.³⁶ Thus, the specific question before the court was whether plaintiff "selected, coordinated, or arranged these uncopyrightable facts in an original ***117** way."³⁷ The court cited *Feist* for its holding that factual compilations may possess the requisite originality, specifically "[c]hoices as to which facts to include, the order of placement, and how to arrange the data so that they may be used effectively by readers . . . so long as the choices are made independently by the compiler and entail a minimal degree of creativity."³⁸ The court found that, although the names, addresses, and telephone numbers in the Registry were "'entirely typical' of a directory, the listing of the membership category and type of therapist produces a sufficiently creative selection to make it original."³⁹ The court pointed to the inclusion in the Registry of the type of therapist, the therapist's membership category, and the designation of each member as active, inactive, or retired as evidence of originality of the Registry.⁴⁰

The court next noted the *Feist* Court's holding that copyright protection extends only to those components of the work that are original to the author. The court held that although the selection of information for the Registry was eligible for copyright protection, that protection did not extend to the underlying facts, namely the names and addresses of the therapists copied by defendant.⁴¹ Thus, the court denied plaintiff's motion for summary judgment and granted defendant's motion, holding that the "alphabetized listing of therapists, first broken down geographically, then by state, does not possess the minimal creative spark required by the Copyright Act."⁴²

In *Sparaco v. Lawler, Matusky, Skelly, Engineers L.L.P.*,⁴³ plaintiff surveyor was hired by defendants to create a site plan for the development of an assisted living facility to be owned by defendant Northern Metropolitan Foundation for Healthcare Inc. ("NMF"). NMF later had a falling out with the various architects originally associated with the project and hired a new construction management firm and new architectural consultants to complete the project. At this point, plaintiff offered to prepare an amended site plan for an additional payment. NMF rejected the offer, hiring defendant Lawler, Matusky, Skelly, Engineers L.L.P. ("LMS") to perform this task. LMS made several modifications to plaintiff's plan and submitted it to the local planning department for approval.⁴⁴

***118** In response to plaintiff's allegation that LMS infringed his copyright by copying his plans, the district court ruled that

the elements of the site plan were “generalized conceptual ideas, not protected expression.”⁴⁵ On appeal, the Second Circuit found that the site plan contained two types of features: existing physical characteristics of the site and proposals for physical improvement to the site.⁴⁶ The court then addressed each type separately.⁴⁷

Plaintiff argued that its depiction of the existing characteristics of the site fell under either the Copyright Act’s protection for maps or its protection for original compilations.⁴⁸ The court reviewed in detail the history of the protection of facts and factual works under U.S. copyright law, noting that plaintiff’s argument “would have had considerable force at an earlier time” when the “sweat of the brow” theory was applicable to copyright law.⁴⁹ The court went on to explain that in the twentieth century, “[t]he view developed that historical, scientific, or factual information belongs in the public domain, and that allowing the first publisher to prevent others from copying such information would defeat the objectives of copyright by impeding rather than advancing the progress”⁵⁰ Citing Feist, the court held that “[t]o the extent that the site plan sets forth the existing physical characteristics of the site, including its shape and dimensions, the grade contours, and the location of existing elements, it sets forth facts, and copyright law does not bar the copying of such facts.”⁵¹

The court, however, went on to state that any originality in the expression of such facts could be protectable, noting that “[w]ithout doubt, considerable skill and originality can be exercised by a mapmaker in the setting forth of unprotected information - in the selection or elimination of detail, the size, shape, and density of informative legends, the establishment of conventions relating to color or design to represent topographical or other features, and many other details of presentation.”⁵² Nonetheless, the court upheld the district court’s finding that defendants were entitled to summary judgment to the extent the site plans identified existing factual information *119 about the site, noting that defendants had submitted evidence that the site plan employed “standard cartographic features without originality” and that plaintiff had failed to submit evidence giving rise to a material issue of fact regarding this evidence.⁵³

The court then considered the physical improvements included in the site plan.⁵⁴ The district court had relied on the Second Circuit’s recent decision in *Attia v. Society of the New York Hospital*⁵⁵ in concluding that depictions of proposed physical improvements were conceptual ideas insufficiently detailed to be utilized in the construction of the building and were therefore unprotectable.⁵⁶ The Second Circuit disagreed with the district court’s analysis, finding that the site plan at issue “was significantly different from Attia’s proposal of ideas for the expansion of the hospital” at issue in that case.⁵⁷ In *Attia*, plaintiff architect alleged that a hospital and other architects infringed the copyright in his architectural plans by taking elements from a drawing he submitted for the modernization and expansion of the hospital’s facilities.⁵⁸ The Second Circuit found that the elements taken from Attia’s drawing were “highly preliminary,” reflected a “very general level of abstraction,” and consisted essentially of “vague and general notions relating to placement of elements, traffic flow, and use of engineering technologies.”⁵⁹ Specifically, the elements at issue in *Attia* included the use of truss technology to transfer weight of the new building; the integration of new and old structures by aligning floor heights; the alignment of corridors between new and old buildings; and the general location of various hospital functions and services.⁶⁰ In comparison, the court found that the site plan in the case at bar specified “more than vague, general indications of shape and placement of the elements;” rather, the plan detailed specifications for preparation of the site, including the building footprint, the contour of the parking lot, and the location of curbs, fire lanes, utilities, light poles, trees, grading, and contours.⁶¹ Acknowledging the district court’s finding that the site plan included no architectural details and could not be used to construct the *120 building, the Second Circuit noted that the plan was not intended as a plan for construction of the building, but only for the preparation of the site.⁶² “As such, it appears to be a fully realized plan capable of being used to guide actual construction work on numerous site preparation tasks.”⁶³ The court went on to list some of those tasks, which included the “preparation of the building footprint, including specific indentations in the layout of the building and designations for loading areas, common areas, and placements of utility structures; creation of parking lots, including precise details such as the distance between the lots and fences, the exact number of spaces,” and their dimensions; detailed landscaping plans; and “creation of sediment and erosion control measures, including water shelters, stabilized construction entrances, inlet protections, silt fences, earth dikes, and catch basins.”⁶⁴

Finally, the court clarified that it did not intend to “imply that technical drawings cannot achieve protected status unless they are sufficiently complete and detailed to support actual construction.”⁶⁵ However, in the case at bar, the site plan included specific expression and realization of the expressive ideas and was therefore protectable by copyright.⁶⁶ The court thus vacated the district court’s decision and remanded.⁶⁷

Plaintiff in *Rodriguez v. Casa Salsa Restaurant*⁶⁸ created a business plan entitled “Market Study for a Hypertheme Restaurant in San Juan,” for which he obtained copyright registration. When plaintiff presented his plan to a tourism company, the company informed plaintiff that although it would not contribute monetarily to the plan, it would endorse his restaurant and

include it in its international tourism campaigns.⁶⁹ Over a year later, plaintiff had not yet received the company's endorsement when a restaurant called Casa Salsa opened in South Beach, Florida, with the support of the tourism company. The next day, the tourism company endorsed plaintiff's plan.⁷⁰ Plaintiff, however, never opened his restaurant.⁷¹ Plaintiff filed suit, alleging that Casa Salsa infringed on the copyright in his business plan.⁷²

***121** The court first identified the protectable aspects of plaintiff's work and found that the idea of a Puerto Rican themed restaurant was not protectable under copyright law.⁷³ Noting the possibility of expressing the idea for a Puerto Rican themed restaurant in more than one way, the court found that plaintiff's plan "constitutes an idea with a very limited number of expressions, to the extent that the idea merges almost completely with the expression."⁷⁴ Among the aspects of a Puerto Rican themed restaurant that the court found to be common to all such restaurants were the general type of food and drink, the décor, and the music.⁷⁵

The court next determined which elements of plaintiff's plan were protected by copyright.⁷⁶ The court described Casa Salsa, the allegedly infringing restaurant, as "a particular type of theme restaurant . . . whose principle theme is its celebrity owner," Ricky Martin, and whose cooking, décor, and music "all drew on Puerto Rican themes."⁷⁷ Plaintiff alleged that Casa Salsa bore an "almost identical similarity to the total concept and feel" of the restaurant in plaintiff's plan and listed sixteen elements that plaintiff considered proved the "almost identical similarity."⁷⁸ Plaintiff's list of elements included separate dance areas, separate bar areas, Puerto Rican cuisine and coffee, salsa-based recipes, salsa music and dance lessons, Internet access, tourists as clientele, and "a Puerto Rico theme."⁷⁹ The court found that none of the elements cited by plaintiff were protectable by copyright, stating that "[a] party simply cannot copyright the idea for a Puerto Rican restaurant that serves Puerto Rican food, plays salsa music, and serves as a sort of embassy for Puerto Rico."⁸⁰

Nonetheless, the court assumed, arguendo, that the listed elements were protectable and applied a substantial similarity analysis, holding that even if plaintiff's work was protectable, defendant's work was not substantially similar.⁸¹ The court thus dismissed plaintiff's complaint sua sponte based on his failure to state a claim for infringement under federal copyright law.⁸²

***122 C. Separability**

In *Celebration International, Inc. v. Chosun International, Inc.*,⁸³ plaintiff was a company that created Halloween costumes and other products. Plaintiff alleged that defendant copied a tiger costume in which plaintiff owned the copyright. The case at bar addressed plaintiff's request for a preliminary injunction.⁸⁴

In addressing defendant's argument that the costume at issue was not protectable by copyright, the court began by noting that there is some dispute as to whether costumes are protectable at all.⁸⁵ Because costumes have a utilitarian function, they are considered to be "useful articles" under the Copyright Act, and protectability is determined by application of the separability test.⁸⁶ The court noted that the circuits differ on whether the separability rule requires both physical and conceptual separability or only one of the two and cited various specific tests created by both courts and commentators to determine separability.⁸⁷ The court noted that although the Seventh Circuit had not yet endorsed any particular separability test, Circuit Judge Easterbrook, sitting on the U.S. District Court for the Northern District of Illinois, had concluded that Professor Goldstein's view of the separability test was the most convincing because it differed little, if at all, from the physical separability test embraced by the majority of the circuits.⁸⁸ Professor Goldstein's opinion is as follows: "a pictorial, graphic, or sculptural feature incorporated in the design of a useful article is conceptually separable if it can stand on its own as a work of art traditionally conceived, and if the useful article in which it is embodied would be equally useful without it."⁸⁹

The court then proceeded to analyze the costume at issue under both the physical separability test and the conceptual separability test. Applying the separability analyses from *Carol Barnhart v. Economy Cover Corp.*⁹⁰ and *Mazer v. Stein*,⁹¹ the court found that the tiger's sculptural aspect - its head - was physically separable from the utilitarian function of the costume, noting that the garment portion of the costume would keep the person wearing the costume warm even without ***123** the tiger's head and that the tiger's head could be sold separately from the costume.⁹²

The court next addressed the scope of copyright protection in the work. Although the court had no doubt that the tiger's head had "some creative, imaginative expression," it noted that the degree and complexity of expression embodied in the work was linked to the amount of protection given to the work.⁹³ The court pointed to two factors that it believed weighed against granting extensive protection for the work.⁹⁴ Commenting on the fact that plaintiff had based its design of the work on a

picture from a catalog from the San Diego Zoo, the court noted that a lifelike expression would receive limited protection because “inevitable similarities arise when comparing the characteristics of imitations of natural creatures.”⁹⁵ However, the court found some differences between the tiger costume and the picture in the catalog, including the colors in the face, but it also noted the similarities to a real tiger, such as whiskers and a lack of facial expression.⁹⁶

The court’s second concern was with evidence that the head, mane, and skin color of the tiger costume were commonly used by many manufacturers in the plush toy animal business, noting that “there are only so many ways to make a lifelike tiger.”⁹⁷ The court concluded that the tiger costume did have “some particularized expression,” noting the intention that it be “cute” and attractive to children, and it was thus subject to copyright protection, although such protection would be limited.⁹⁸

D. Term of Copyright

In one of the most eagerly awaited and contentious copyright holdings in recent years, *Eldred v. Ashcroft*,⁹⁹ the U.S. Supreme Court held the Copyright Term Extension Act of 1998 (“CTEA”) to be constitutional.¹⁰⁰ The opinion is discussed and analyzed in detail in Thomas R. Lee’s article in this issue of the Texas Intellectual *124 Property Law Journal.¹⁰¹ Therefore, this article will present a basic review of the Court’s opinion.

Plaintiffs were a group of individuals and businesses who provided products and services that built upon or distributed copyrighted works that had fallen into the public domain. Plaintiffs sought a determination that the CTEA was unconstitutional, arguing that it violated the Copyright Clause’s “limited times” provision as well as the First Amendment.¹⁰² Specifically, plaintiffs argued not that the addition of twenty years to the copyright term was per se unconstitutional, but that applying the twenty-year extension to already published works was unconstitutional.¹⁰³

The Court began its analysis by considering the history of copyright term extensions, noting that such extensions had always been applied to both existing and future works.¹⁰⁴ The Court then pointed out that the two most recent extensions, one found in the Copyright Act of 1976 and one granted by the CTEA, aligned the U.S. copyright term with international standard under the Berne Convention and a European Union Directive of 1993.¹⁰⁵

In response to plaintiffs’ argument that extending the term for already existing works does not qualify as “limited Time,” the Court turned to the definition of the word “limited.”¹⁰⁶ The Court stated that plaintiffs’ interpretation would read “into the text of the Copyright Clause the command that a time prescription, once set, becomes forever ‘fixed’ or ‘inalterable.’ The word ‘limited,’ however, does not convey a meaning so constricted.”¹⁰⁷ Quoting dictionary definitions of the word “limited,” the Court stated that a time span as applied to future copyrights “does not automatically cease to be ‘limited’ when applied to existing copyrights.”¹⁰⁸ In considering the historical practice of applying copyright term extensions to both present and future works, the Court quoted “a judgment stated concisely by Representative Huntington at the time of the 1831 Act: ‘Justice, policy, and equity alike forbid’ that an author who had sold his work a week ago, be placed in a worse situation than the author who should sell his work the day after the passing of the *125 Act.”¹⁰⁹ The Court held that “[t]he CTEA follow[ed] this historical practice by keeping the duration provisions of the 1976 Act largely in place and simply adding 20 years to each of them.”¹¹⁰

The Court then turned to the question of whether the CTEA constituted a rational exercise of the authority conferred upon Congress by the Copyright Clause.¹¹¹ Noting that it deferred “substantially” to Congress, the Court stated that “[t]he CTEA reflects judgments of a kind Congress typically makes, judgments we cannot dismiss as outside the Legislature’s domain.”¹¹² The Court noted that a key factor in passing the CTEA was a 1993 European Union Directive extending the copyright term to life plus seventy years.¹¹³ Under the Berne Convention, the longer term would be denied for works from members of any non-EU country with a shorter copyright term.¹¹⁴ Thus, the Court stated, by passing the CTEA, “Congress sought to ensure that American authors would receive the same copyright protection in Europe as their European counterparts.”¹¹⁵ The Court stated that Congress also considered “demographic, economic, and technological changes” in passing the CTEA and “rationally credited projections that longer terms would encourage copyright holders to invest in the restoration and public distribution of their works.”¹¹⁶

The Court summarized by stating that it found the CTEA to be “a rational enactment” and that it was not at liberty to second-guess Congressional determinations and policy judgments of this order, however debatable or arguably unwise they may be. Accordingly, we cannot conclude that the CTEA - which continues the unbroken Congressional practice of future and existing copyrights in parity for term extension purposes - is an impermissible exercise

of Congress's power under the Copyright Clause.¹¹⁷

The Court next addressed plaintiffs' argument that even if the twenty-year extension was literally a limited time, upholding the CTEA would be equivalent to creating *126 "effectively perpetual" copyrights via continued and repeated extensions.¹¹⁸ Turning again to the historical record of copyright extensions, the Court found that plaintiffs had not shown that the CTEA "crosses a constitutionally significant threshold with respect to 'limited Times' that the 1831, 1909, and 1976 Acts did not. Those earlier Acts did not create perpetual copyrights, and neither does the CTEA."¹¹⁹

Plaintiffs argued that publication causes a work to no longer be "original," so extension of the copyright term for that work would be impermissible under Feist.¹²⁰ The Court rejected this argument, however, noting that Feist addressed "the core question of copyrightability," not the duration of copyright protection, in considering the terms "author" and "writings" from the Copyright Clause, but not the term "limited times."¹²¹

Plaintiffs also argued that the CTEA did not promote the progress of arts and sciences as contemplated by the Constitution, arguing that this language "identifies the sole end to which Congress may legislate" and that the meaning of "limited Times" must thus be examined in the context of that specified end.¹²² According to the plaintiffs, the CTEA failed to promote that end because it did not stimulate the creation of new works.¹²³ Noting that it had articulated in previous opinions that the primary objective of copyright law is indeed to promote the progress of science, the Court went on to emphasize that "it is generally for Congress, not the courts, to decide how best to pursue the Copyright Clause's objectives."¹²⁴

Finally, plaintiffs argued that the Copyright Clause creates a "quid pro quo" in that the author of an original work receives an exclusive right for a limited time in exchange for the work being dedicated to the public upon the expiration of that limited time and that extending an existing copyright without requiring additional consideration gives an unpaid-for benefit to copyright holders and their heirs in violation of this quid pro quo requirement.¹²⁵ Agreeing that the Copyright Clause authorizes Congress "to secure a bargain," the Court turned to the history of continual extension of the copyright term to determine "what the bargain entails."¹²⁶ The *127 Court stated that given that history, the author of a work created at any time in the last 170 years would reasonably expect that the "bargain" would include the application of any copyright term extension to the term for his existing works.¹²⁷

The Court next addressed plaintiffs' First Amendment argument "that the CTEA is a content-neutral regulation of speech that failed the heightened review required under the First Amendment."¹²⁸ Noting that the Copyright Clause and the First Amendment were adopted during the same time period, the Court stated that the proximity in time "indicates that, in the Framers' view, copyright limited monopolies are compatible with free speech principles."¹²⁹ The Court went on to note that copyright law "contains built-in First Amendment accommodations," namely the distinction between the protection of ideas and expression and the fair use doctrine.¹³⁰ The CTEA, the Court stated, "supplements these traditional First Amendment safeguards" by allowing libraries and archives to reproduce, distribute, display, and perform copies of certain published work during the last twenty years of any copyright term if the work is not being commercially exploited and further copies are unavailable at a reasonable price for the purposes of preservation, scholarship, or research.¹³¹

The Court summarized its opinion by stating "[a]s we read the Framers' instruction, the Copyright Clause empowers Congress to determine the intellectual property regimes that, overall, in that body's judgment will serve the ends of the Clause."¹³² The Court did, however, throw a tiny and unsatisfying bone to plaintiffs by stating that although plaintiffs "forcefully urge that Congress pursued very bad policy in prescribing the CTEA's long terms . . . [t]he wisdom of Congress' action . . . is not within our province to second guess."¹³³

III. Ownership

A. Works-Made-for-Hire

Plaintiff in *Warren v. Fox Family Worldwide, Inc.*¹³⁴ created music for defendant's use in a television series. Defendant claimed to own the copyright in the music via the work-made-for-hire doctrine, while plaintiff claimed that he retained *128 the copyright.¹³⁵ Because neither party disputed that the relationship between the parties was not that of employer-employee, the question at issue was whether the contract between the parties created a work-made-for-hire relationship.¹³⁶

Since there was no doubt that the work fell into one of the categories of specially commissioned works enumerated in section 101 of the Copyright Act, the court moved on to an analysis of the language contained in multiple agreements between the parties.¹³⁷ All agreements at issue contained the following language: “[defendant] shall own in perpetuity . . . solely and exclusively, all rights of every kind and character [of the work or works at issue] . . . and all other results and proceeds of the services rendered by [plaintiff] hereunder, and [defendant] shall be deemed the author thereof for all purposes.”¹³⁸

One agreement added “to the same extent as if [defendant] were [plaintiff’s] employer for hire” to its terms.¹³⁹ The court held that the language was sufficient to establish that the works at issue were specially commissioned as works-made-for-hire, finding it irrelevant that the agreements did not use the specific language “specially ordered or commissioned” and that the contracts were not entitled “Work-Made-for-Hire Agreement,” because neither is required by the Copyright Act.¹⁴⁰

In *Genzmer v. Public Health Trust of Miami-Dade County*,¹⁴¹ plaintiff was a doctor who served a post-graduate fellowship in the Pulmonary and Critical Care Department of a Jackson, Florida, hospital. Plaintiff’s duties as a fellow, as described in the applicable manual, included “conducting research projects related to the field of pulmonary and critical care medicine.” The manual also stated that fellows should acquire “skills required to organize, administer, and direct a critical care unit.”¹⁴² During the research period of his fellowship, plaintiff developed a software program to computerize the department’s consultation reports. It was “undisputed that [plaintiff] wrote the program, at least in part, on his own time, during non-business hours, and using his home computer,” and that plaintiff and his advisor had discussions about the program as it was being developed. Plaintiff did, however, test the program on the hospital’s computers and make alterations to the *129 program according to the results of the test.¹⁴³ After obtaining his supervisor’s approval, plaintiff loaded the computer software into the department’s computers. He placed copyright notices throughout the visual display of the software as well as the source code and submitted an application for copyright registration before the end of his fellowship. After plaintiff’s fellowship was completed, the software became inoperable due to a bug plaintiff had created to disable the software upon the termination of his employment. At this point, plaintiff demanded payment for the department’s use of the software, which the department refused. Plaintiff then filed the current lawsuit.¹⁴⁴

On cross-motions for summary judgment, the sole issue to be decided was that of ownership of the copyright in the software program.¹⁴⁵ Because plaintiff had obtained a copyright registration certificate, which served as prima facie evidence of his ownership, defendant had the burden of establishing that the software constituted a work-made-for-hire.¹⁴⁶ Neither party disputed that plaintiff was an employee of defendant during the entire time he was creating the software.¹⁴⁷ Thus, the specific issue addressed by the court was whether the work was within the scope of plaintiff’s employment.¹⁴⁸

The *Genzmer* court turned to the U.S. Supreme Court’s instruction in *Community for Creative Non-Violence v. Reid*¹⁴⁹ that general common law agency principals as defined in the Restatement (Second) of Agency should be used to determine whether an employee has created work within the scope of his or her employment.¹⁵⁰ Section 228 of the Restatement provides that an action falls within the scope of employment if: “(a) it is of the kind [the individual] is employed to perform; (b) it occurs substantially within the authorized time and space limits; and (c) it is actuated, at least in part, by a purpose to serve the master.”¹⁵¹ The court pointed out that the party attempting to establish work-made-for-hire must satisfy all three elements.¹⁵²

*130 In addressing the first element, plaintiff argued that the software was not a work-made-for-hire because “his work description did not mention computers, and computer skills were not a prerequisite of his employment.”¹⁵³ The court, however, stated that although it was true that plaintiff was hired as a doctor, “it does not necessarily follow that writing a computer program is not the type of work [plaintiff] was employed to perform.”¹⁵⁴ The court pointed to testimony showing that plaintiff’s research assignment encompassed “a myriad of activities,” including the drafting of computer programs.¹⁵⁵ The court also noted that the phrase “skills required to organize and administer and direct a critical care unit” in plaintiff’s job description could be interpreted to include the development of the computer program at issue.¹⁵⁶ Thus, the court found that plaintiff’s organization of the department’s information into the computer program was “incidental to his authorized acts of completing a research program and organizing and directing the Pulmonary Care Department, tasks [plaintiff] was directly hired to perform.”¹⁵⁷

In relation to the second element, plaintiff argued that he wrote the software at home using his own computer during off-duty hours.¹⁵⁸ The court rejected plaintiff’s argument, noting that he was a salaried employee involved in a research project and that it was undisputed that during the research period, fellows normally worked on their projects primarily outside of the department.¹⁵⁹ Because plaintiff was writing the software during the research phase, it followed that he would not have done

so in the department.¹⁶⁰ The court also pointed out the fact that plaintiff had completed the second phase of creating the software - data testing - on computers in the department and, as a result of this testing, made alterations to the program.¹⁶¹

Finally, in addressing the third element, the court found it “significant” that the Restatement does not require that the only motivation be to assist an employer, but that such motivation need only be partial.¹⁶² Whereas the only evidence offered by plaintiff that he was purely self-motivated was his own testimony, defendant *131 offered “substantial evidence” to support its position that plaintiff’s software was intended to serve defendant.¹⁶³ Such evidence included the facts that plaintiff tailored the program to fit defendant’s needs; that the program was used in the department and “significantly assisted organizing information” in the department; and defendant’s statement in its evaluation of plaintiff that plaintiff had “‘significantly facilitated the routine’” of the department and that “his initiative in computerizing reports was a ‘major contribution to the program.’”¹⁶⁴

Thus, the court found that defendant had satisfied its burden of meeting the elements laid out in the Restatement and that the software at issue was therefore a work-made-for-hire belonging to defendant.¹⁶⁵

B. Ownership of Derivative Works

Plaintiff in *Sobhani v. @Radical.Media, Inc.*,¹⁶⁶ an aspiring television commercial director, created five short video advertisements and sent them to several companies to promote himself to prospective employers. The commercials were styled along the lines of a series of commercials for Jack-in-the-Box restaurants and incorporated elements spoofing the movie *Cast Away*. Shortly after receiving one of plaintiff’s tapes, defendants produced a commercial similar in many respects to that of plaintiff. Plaintiff sued for copyright infringement, and defendant argued, inter alia, that plaintiff’s commercials were not subject to copyright protection because they were unauthorized derivative works.¹⁶⁷

The court first found that plaintiff’s works fell within the Copyright Act’s definition of derivative works, relying on the Ninth Circuit standard that a derivative work is one that “would be considered an infringing work if the material which it has derived from a preexisting work had been taken without the consent of the copyright proprietor of such preexisting work.”¹⁶⁸ It was undisputed that plaintiff had not obtained authorization to use defendant’s works.¹⁶⁹ The court then moved on to the issue of ownership in unauthorized derivative works.

Plaintiff argued that the language of section 103(a) of the Copyright Act, which states that “protection for a work employing preexisting material in which *132 copyrights subsists does not extend to any part of the work in which such material has been used unlawfully,” should be interpreted to mean that the original contributions plaintiff had made to the works at issue were entitled to protection, regardless of whether the work as a whole constituted an unauthorized derivative work.¹⁷⁰

The court stated that both the Second Circuit and Professor Nimmer seemed to agree with plaintiff’s interpretation of section 103(a).¹⁷¹ However, the court then expanded upon the “important limitations that protection does not extend ‘to derivative works’ if the preexisting work tends to pervade the entire derivative work.”¹⁷² The court cited two prior cases addressing the issue, the first being an earlier Central District of California holding that the section 103(a) exception applies only to compilations and not to derivative works.¹⁷³

The court then turned to the recent Seventh Circuit holding in *Pickett v. Prince*¹⁷⁴ suggesting that no copyright adheres to any portion of an unauthorized derivative work.¹⁷⁵ The *Pickett* court specifically rejected the *Eden Toys*¹⁷⁶ opinion, which stated in dicta that protection should exist in even an unauthorized derivative work, so long as the original work did not “pervade” the derivative work, and concluding that acceptance of such a premise would “inject enormous uncertainty into the law of copyright and undermine the exclusive right that section 106(2) gives the owner of the copyright on the original work.”¹⁷⁷

The *Sobhani* court, however, concluded that it did not need to reconcile the potentially conflicting case law, because a copyrighted preexisting work pervaded plaintiff’s derivative work and plaintiff had used the preexisting work without authorization.¹⁷⁸

The court then pointed out that plaintiff’s claims were likely to fail, even assuming plaintiff was entitled to copyright protection, stating that if the proprietary *133 Jack-in-the-Box elements were ignored, “all that remains is a largely unoriginal and elementary spoof of the (copyrighted) *Cast Away* movie.”¹⁷⁹

In *Kindergartners Count, Inc. v. DeMoulin*,¹⁸⁰ plaintiff owned copyright registrations for two works that were derivative of a work belonging to a third party and had obtained no authorization from the third party to create the works. Plaintiff sued defendant for infringement of those works. Defendant argued that plaintiff's works were not entitled to copyright protection.¹⁸¹ Plaintiff responded by arguing that its works were not derivative.¹⁸² The court stated that even if the works were derivative, "it does not follow that the copyright for the [work at issue] is not valid. Rather, protection extends to those portions of [the work] that are original."¹⁸³ Thus, the court found that defendant failed to rebut the presumption of validity of plaintiff's copyrights in the works at issue.¹⁸⁴

In *Liu v. Price Waterhouse, LLP*,¹⁸⁵ the Seventh Circuit held that the demonstrated intent of the parties prevails in determining ownership of the copyright in a derivative work. Defendant made an arrangement with an employee, Yang, to hire programmers to create a derivative work of defendant's software program RevUp32.¹⁸⁶ The agreement was in the form of a letter from defendant to Yang authorizing her to hire programmers.¹⁸⁷ The letter of agreement was signed by an agent of defendant but, significantly, was not signed by Yang.¹⁸⁸ The letter stated, "[i]t is clearly understood that the source code is the sole property of Price Waterhouse and Price Waterhouse gives no authority, implied or otherwise, to distribute or copy this source code in any way."¹⁸⁹ Yang hired the programmers, who then claimed copyright in the program and transferred the copyright in the program to Yang's daughter, Liu.¹⁹⁰

*134 Yang and Liu filed a copyright infringement action against Price Waterhouse, who counterclaimed for infringement.¹⁹¹ The district court found that defendant Price Waterhouse owned the copyright in the work and that plaintiffs had infringed that copyright.¹⁹² On appeal, plaintiffs argued that the programmers were the original copyright owners since they had authored the work at issue; that the letter of agreement was not a valid transfer of that copyright because it did not meet the requirements of section 204(a) of the Copyright Act; and that the district court erred in considering the intent of the parties.¹⁹³

The trial court had found that the license was ambiguous as to who would have the right to copyright the derivative work.¹⁹⁴ The trial court stated that plaintiffs may have been correct in asserting that if the license had said nothing at all about copyrights in the derivative work, the copyright would have vested in the programmers as the authors of that derivative work.¹⁹⁵ The court found that the license did speak to ownership rights, however, and held that the jury resolved the ambiguity in the license by finding that the copyright in the derivative work was to vest with Price Waterhouse.¹⁹⁶

On appeal, the Seventh Circuit stated that, because defendant was the owner of the copyright in the original work, the programmers had to have obtained defendant's authorization to create the derivative.¹⁹⁷ The court went on to find that, because the district court found the letter to be ambiguous, it was appropriate for that court to consider the "intent of the parties to determine the scope of the . . . programmers' authorization."¹⁹⁸ Furthermore, "obtaining copyright protection in the derivative work was beyond the scope of the permissible uses authorized by" the letter of agreement.¹⁹⁹ Because the programmers never had an ownership interest in the work, the court held section 204(a) to be inapplicable.²⁰⁰ Thus, the court held *135 that defendant was the rightful copyright owner and that the district court did not err in denying plaintiff's motion for summary judgment.²⁰¹

C. Transfers and Assignments

1. Validity of Transfers and Assignments

*Sunham Home Fashions LLC v. Pem-America, Inc.*²⁰² involved allegedly infringing actions based on the manufacturing of quilts and bed linens in China. Having found that plaintiff was not the author of the designs, the court stated that plaintiff must possess written transfers of copyright ownership in order to claim ownership of the copyright in the designs.²⁰³ Although plaintiff produced written assignments for the eight designs created by the Chinese designer, defendant argued that the assignments should not be considered because they were written in English and the designer did not speak English; none of the assignments identified defendant as the assignee; and none of the assignments were dated.²⁰⁴

Noting testimony that plaintiff had provided a translator for the designer, the court found no reason to believe that the designer did not understand the assignment documents.²⁰⁵ Turning to defendant's next argument, the court noted that "although common sense, good business judgment and even a modicum of legal intuition dictate that a transfer should clearly name the transferee, neither the statute nor the case law require it."²⁰⁶ The court went on to point out that the purpose of the statutory requirement of a written agreement is to resolve any disputes about the status of the copyright that may arise between the copyright owner and the recipient of an assignment and that where no such dispute exists, it is "unwarranted to

permit a third-party infringer to invoke section 204(a) to avoid suit for copyright infringement.²⁰⁷ The court thus held the assignments to be valid.²⁰⁸

*136 2. Scope of Transfer

Plaintiff in *Baker v. Urban Outfitters, Inc.*²⁰⁹ was a professional photographer who took a series of photographs during a month-long, cross-country trip on Route 66. Plaintiff entered into an agreement with Ipso Facto Publishers, granting Ipso Facto the “sole and exclusive right” to publish the book 66/99, *An American Road Trip*, a compilation of photos from plaintiff’s journey. Defendant used one of plaintiff’s photos from the trip as a paper insert in picture frames that it sold in its stores. Because defendant’s use was unauthorized, plaintiff filed suit for copyright infringement and moved for summary judgment.²¹⁰

Defendant conceded to copying the photograph at issue but challenged plaintiff’s ownership of the copyright, arguing that a material issue of fact existed as to whether plaintiff had transferred his rights to Ipso Facto as part of his agreement for the publication of his book.²¹¹ Specifically, defendant argued that plaintiff’s transfer of the “sole and exclusive right” to publish the book could reasonably be construed to include the right to the individual photographs contained in the book.²¹² Defendant also claimed that the provision requiring Ipso Facto to pay plaintiff part of the proceeds from the sale of any “subsidiary rights” created a genuine issue of material fact as to whether the agreement transferred the rights to the individual photographs.²¹³

The court found that the agreement was ambiguous as to whether it transferred the rights to any individual photographs.²¹⁴ Thus, the court denied plaintiff’s motion for summary judgment.²¹⁵

In *Silvers v. Sony Pictures Entertainment, Inc.*,²¹⁶ plaintiff was a scriptwriter whose script was made into a television movie entitled *The Other Woman* in 1995. The script had been created as a work-made-for-hire for Frank and Bob Films II, which therefore owned the copyright in the movie. In 1998, defendant released the motion picture *Stepmom*. At some point after the release of *Stepmom*, Frank and Bob Films II assigned to plaintiff “all right[s], title, and interest in and to any claims and causes of action against Sony Pictures Entertainment Inc., Columbia Tri-Star, and any other appropriate persons or entities with respect to the screenplay *137 *The Other Woman* . . . and the motion picture *Stepmom*.” The assignors retained all other copyrights in the works. In June 2002, plaintiff filed a copyright infringement claim against defendant, claiming that *Stepmom* infringed the copyright in the script she had written for *The Other Woman*. Defendant filed a motion to dismiss, arguing that plaintiff lacked standing to bring the infringement suit.²¹⁷ The district court denied defendant’s motion to dismiss and granted its later motion for interlocutory appeal.²¹⁸

The Ninth Circuit framed the question before it as whether an accrued cause of action for copyright infringement alone may be assigned to a third party without the assignment of any other rights.²¹⁹ The court noted that although other circuits had addressed similar questions, no court had specifically resolved the issue and pointed out that the Ninth Circuit had not resolved whether a copyright owner may transfer the right to accrued causes of action to a third party under any circumstances.²²⁰

The court began its analysis of the issue by examining the case it considered to be closest on point, *Prather v. Neva Paperbacks, Inc.*²²¹ In that case, an author’s publisher assigned to the author both the copyrights in the works and the accrued causes of action related to the works.²²² When the author sued the publisher for copyright infringement, the publisher claimed that the author did not have standing to sue.²²³ The Fifth Circuit held that the publisher had clearly transferred the right to sue in a “simple assignment” that was valid because “the contract specified in clear, precise terms that the assignor transferred the past, prior accrued choses in action to the assignee” and the assignment was not against public policy.²²⁴ The court cited Professor Nimmer’s support of the Prather holding and his opinion that accrued causes of action may be assigned without transferring any other copyright.²²⁵

*138 The court then interpreted the language of section 501(b) of the Copyright Act as being consistent with Prather, stating that “its adoption after Prather is consistent with and does not change the holding of Prather regarding copyright assignments.”²²⁶ Section 501(b) states, in part, “[t]he legal or beneficial owner of an exclusive right under a copyright is entitled . . . to institute an action for any infringement of that particular right committed while he or she is the owner of it.”²²⁷

The defendant argued that the Second Circuit’s holding in *Eden Toys, Inc. v. Floralee Undergarment Co., Inc.*²²⁸ restricted standing to bring a copyright infringement claim to those who owned an exclusive right under copyright.²²⁹ The Ninth Circuit

disagreed with that interpretation of section 501(b), stating that “nothing in the language of section 501 specifies or suggests that the legal or beneficial owners are the exclusive plaintiffs in copyright infringement cases,” but only that legal and beneficial owners are “entitled” to institute infringement actions.²³⁰

The court explained that the language “while he or she is the owner of it,” found in section 501(b), indicates that the right to institute a cause of action accrues, and that nothing in the statute prohibits an owner of an exclusive right from assigning an accrued cause of action for infringement of that right.²³¹

Defendant also claimed that because it is not included in the list of exclusive rights in section 106, Congress did not intend for the right to sue for infringement to be a separate right under the Copyright Act.²³² The Ninth Circuit stated, however, “[w]e do not believe section 106 presents an exclusive list of all of the rights of the copyright owner,” quoting the House Judiciary Committee’s report on the Copyright Act that “each of the five enumerated rights may be subdivided indefinitely, and . . . each subdivision of an exclusive right may be owned and enforced separately.”²³³

The court next cited section 201(d) of the Copyright Act, which states in part that “any subdivision of any of the rights specified by section 106 may be transferred [in whole or in part] and owned separately.”²³⁴ Applying this law to the case *139 at bar, the court found that the copyright owners had separated out all of the accrued causes of action and litigation rights involving the works at issue and explicitly assigned them to plaintiff.²³⁵

Finally, defendant argued that an assignment of accrued causes of action goes against public policy.²³⁶ The court noted that defendant had failed to cite any case law in support of its argument, and it again cited Prather for the proposition that an express assignment of accrued causes of action obtained after the infringement occurs is not against public policy.²³⁷ Thus, the court affirmed the district court’s holding that accrued causes of action for copyright infringement may be assigned without the concurrent assignment of other rights.²³⁸

D. Sublicensing Under the 1909 Act

Plaintiffs in two cases²³⁹ decided in 2002 apparently attempted to follow in the footsteps of *New York Times Co. v. Tasini*.²⁴⁰ Multiple freelance writers and photographers who had worked for National Geographic over several decades claimed that the production and sale of CD-ROMs encompassing a digital archive of all National Geographic issues infringed plaintiffs’ copyrights on their contributions to those issues.²⁴¹ Defendants argued that they were entitled to include the works on the CD-ROMs based on the work-made-for-hire doctrine,²⁴² plaintiffs’ licensing to defendants the rights necessary to create the CD-ROM works, or both.²⁴³

The works at issue were protected by the 1909 Act, which stated that “a licensee . . . has no right to sell or sublicense the rights acquired unless he had been expressly authorized to do so.”²⁴⁴ In creating and producing the CD-ROM products, *140 defendants entered into a “classic licensing agreement” with a computer software publisher and distributor.²⁴⁵ Defendants argued that they should not be forced to create their own CD-ROM manufacturing arm in order to reproduce their own magazine in CD-ROM format.²⁴⁶ The court stated that it would hesitate to apply the 1909 Act rule against sublicensing if defendant merely hired the software entity to create the product and “had licensed [the software entity] to facilitate actions taken pursuant to that ‘employment’ relationship.”²⁴⁷ The court, however, found that in actuality, defendant had granted rights in return for royalties on all sales, thereby constituting a “classic licensing arrangement” and noted that defendants “overstate the situation” by claiming that they were forced to take these actions in order to create the CD-ROM products.²⁴⁸ The court found that, due to the 1909 Act requirement, defendants had no rights to sublicense any of the rights.²⁴⁹

IV. Registration

A. Right to Seek Registration

Plaintiff in *Huthwaite, Inc. v. Sunrise Assisted Living, Inc.*²⁵⁰ was a corporation providing sales training seminars and related publications. Defendant provided assisted living services to seniors across the country.²⁵¹ The work at issue, *SPIN Selling*, was authored by plaintiff’s founder and original owner and was published by McGraw-Hill, Inc. pursuant to a May 15, 1987, publishing agreement in which the author granted McGraw-Hill all of the copyrights in the work. On June 30, 1987, however, the publishing agreement was amended to grant McGraw-Hill “the exclusive right to reproduce and distribute the

work in North America” and to retain “all exclusive rights to the work not expressly granted herein” for the author. The agreement also appointed McGraw-Hill as the author’s attorney-in-fact to execute any documents necessary to record the grants with the U.S. Copyright Office. In 1988, McGraw-Hill registered the copyright in the work. The registration correctly identified the author but incorrectly identified McGraw-Hill as the copyright claimant, stating that McGraw-Hill obtained ownership of the copyright by assignment *141 from the author. In 2000, the author assigned to plaintiff all of his retained rights in the work.²⁵²

In 2000, defendant contacted plaintiff and began negotiations regarding the purchase of sales force training services, although defendant never actually made such a purchase.²⁵³ In 2001, defendant began a major sales force training program that included training its staff in the use of the SPIN Selling approach.²⁵⁴ Defendant provided each student with a copy of the work SPIN Selling and also developed and used its own training materials, all of which plaintiff claimed violated its retained rights in the work.²⁵⁵

When plaintiff filed suit, defendant attacked plaintiff’s copyright claim, arguing that plaintiff had failed to establish ownership of the work and that no valid registration existed under which plaintiff could bring suit.²⁵⁶

The court began its discussion by noting that the Copyright Act requires only that the copyright be registered before an infringement suit is filed, not that the party filing the suit be the party that registered the copyright.²⁵⁷ The court also noted that a copyright may be registered by the owner of any exclusive right in the work.²⁵⁸ Defendant had first argued that McGraw-Hill had no right to register the copyright in the work because the publishing agreement did not grant McGraw-Hill the authority to do so on plaintiff’s behalf.²⁵⁹ The court rejected defendant’s argument, pointing to the grant to McGraw-Hill of “the exclusive right to reproduce and distribute” the work.²⁶⁰ The court held that not only was McGraw-Hill entitled to register the copyright under section 408(a) of the Copyright Act, but also that plaintiff could rely on McGraw-Hill’s registration to satisfy section 411(a)’s registration requirement.²⁶¹

***142 B. Registration as Prerequisite to Subject Matter Jurisdiction**

Plaintiff and defendant in *Xoom, Inc. v. Imageline, Inc.*²⁶² were both creators of clip-art collections. In 1994, defendant produced a CD-ROM containing over 1500 clip-art images and registered the copyright in the art, text, and packaging design for the CD. Although the application did not mention individual clip-art images, defendant deposited both print and electronic copies of each clip-art image with its application. Three years later, plaintiff began distributing a CD collection of “software clips,” including clip-art images, some of which were designed by commissioned artists and others of which were licensed to plaintiff by third parties. Shortly thereafter, defendant sent a letter to plaintiff alleging that it was infringing defendant’s copyright in various images. Plaintiff then filed suit against defendant seeking, inter alia, injunctive and declaratory relief. Defendant counterclaimed, citing, inter alia, copyright infringement. Plaintiff then filed a series of motions for summary judgment and partial summary judgment, including a request to dismiss defendant’s copyright infringement claims for lack of subject matter jurisdiction, which the district court granted. Defendant appealed, arguing that the district court erred in finding that it did not own copyrights in the individual clip art images or in the software program creating the images.²⁶³

The Ninth Circuit articulated the issue on appeal as whether defendant had effectively registered the copyright in the individual clip art images that it claimed plaintiff had infringed.²⁶⁴ The district court found that the registration applied only to the CDs as a whole, not to the individual images contained therein.²⁶⁵ The Ninth Circuit declined to determine whether the individual images were covered by the registration, finding instead that defendant’s registration of the collection was sufficient to provide protection of the underlying preexisting works.²⁶⁶ Noting that defendant had created the underlying works as well as the compilation CDs, the court cited a Second Circuit holding that “where an owner of a collective work also owns the copyright for a constituent part of that work, registration of the collective work is sufficient to permit an infringement action of the constituent part.”²⁶⁷

Plaintiff in *Brush Creek Media Inc. v. Boujaklian*²⁶⁸ originally filed the action in San Francisco Superior Court alleging five state law claims, one of which, “false *143 designation of origin, unfair competition and misappropriation,” included “an allegation of interference with intellectual property rights by copying” and “appeared to sound in copyright.”²⁶⁹ Defendant removed the case to federal court. Plaintiff eventually filed two amended complaints, eliminating the state law claims sounding in copyright and alleging violation of federal copyright law.²⁷⁰ The court remanded the case due to lack of subject matter jurisdiction.²⁷¹

Plaintiff was a California corporation selling adult gay pornographic movies and magazines. Defendant, who began his own corporation selling adult gay pornographic movies, was the former domestic partner and former business partner of plaintiff's president and sole owner. Plaintiff alleged that defendant had stolen over three hundred master video tapes from plaintiff, which defendant proceeded to license to defendant's corporation, purporting to act on behalf of several entities, including plaintiff.²⁷² Plaintiff obtained a temporary restraining order in state court on June 28, 2002, which prohibited defendant from producing, manufacturing, selling, marketing, or otherwise transferring the master tapes at issue. On August 2, 2002, plaintiff submitted copyright registration applications for some of the master tapes.²⁷³

The court began its analysis of the jurisdictional questions by correctly stating that the question of whether a plaintiff can bring a copyright infringement claim after the Copyright Office receives an application but before the registration certificate issues is an unsettled question.²⁷⁴ The court cited the conclusion of several courts, as well as that of Professor Nimmer, that a pending registration application is sufficient to confer subject matter jurisdiction over a copyright infringement claim.²⁷⁵ The cited courts included the Fifth Circuit and district courts within the Fifth Circuit, as well as the Central District of California.²⁷⁶ The court then cited other courts that had concluded that a certificate of copyright registration was necessary to confer subject matter jurisdiction, including two cases from the Northern District of California.²⁷⁷

***144** The court specifically cited and relied on *Ryan v. Carl Corp.*,²⁷⁸ which held that the plain language of the Copyright Act compelled the conclusion that a plaintiff must possess a certificate of copyright registration before maintaining an infringement action.²⁷⁹ The *Ryan* court relied on the application of three sections of the Copyright Act. Section 410(a) of the Copyright Act states that a registration certificate shall issue “when, after examination, [the Register of Copyrights] determines that . . . the material deposited constitutes copyrightable subject matter and that the other legal and formal requirements of this title have been met.”²⁸⁰ The *Ryan* court found that because this provision requires that copyright applications must be examined, it “cuts against automatic registration.”²⁸¹

The *Ryan* court next turned to section 410(d), which states that “the effective date of a registration is the day on which the application, deposit, and fee” are received by the Copyright Office.²⁸² The court articulated a distinction between backdating a registration and considering a work to be automatically registered prior to the beginning of the examination period: “this provision [does not mean] that an application is considered registered while it is being examined by the Copyright Office, but instead that once an application has been considered and accepted by the Copyright Office, the registration is backdated to the time the application is received.”²⁸³

Finally, the *Ryan* court addressed section 408(a), which states that a registration can be obtained by delivering application materials to the Copyright Office, and held that section 408(a) does not supercede the requirement of section 410(a) that an examination is a prerequisite to registration.²⁸⁴

In holding that the plain language of the Copyright Act precludes initiation of an infringement action while a copyright application is pending, the *Ryan* court noted that “construing the statute this way leads to an inefficient and peculiar result.”²⁸⁵ In following *Ryan*, the *Brush Creek* court stated that it did so “reluctantly” and noted that it shared the *Ryan* court's view that the result is inefficient.²⁸⁶ The *Brush Creek* court added to the *Ryan* analysis its interpretation of section 411(a), ***145** which was amended in 1976 to state “where the deposit, application and fee required for registration have been delivered to the Copyright Office in proper form and registration has been refused, the applicant is entitled to institute an action for infringement if notice thereof, with a copy of the complaint, is served on the Register of Copyrights.”²⁸⁷ The court seemed to focus on the question of whether registration was complete upon receipt of a copyright application. It reasoned that if registration was complete at that point, then an application that was eventually rejected could serve to confer subject matter jurisdiction without the section 411(a) requirement to give notice to the Copyright Office.²⁸⁸

In *Strategy Source, Inc. v. Lee*,²⁸⁹ defendant moved to dismiss plaintiff's claims of copyright infringement on the basis that the court did not have subject matter jurisdiction, because, although plaintiff had submitted applications for registration to the Copyright Office, he had not yet received the registration certificates.²⁹⁰ The court began by citing *Ryan*.²⁹¹ The court also pointed to section 410(b), which states that should the Register of Copyright determine that deposit material is not protectable by copyright law, it shall then refuse registration.²⁹²

Plaintiff pointed to section 411(a), which states that when registration is refused, the applicant is entitled to institute an action for infringement if notice of such action is served on the Register of Copyrights.²⁹³ The court, however, interpreted this language as supporting defendants' position, emphasizing that it is only when registration has been refused, that is, after the

examination process has been concluded, that an applicant who has not received a registration certificate may institute an action for infringement.²⁹⁴ The court concluded that “vetting by the Copyright Office” of application registrations is a necessary prerequisite to establishing subject matter jurisdiction.²⁹⁵

The court ended with a warning to defendants that even though it must dismiss the complaint at the current time, “defendants obviously act at their peril if they continue to use the material,” due to the fact that if plaintiff’s copyright application *146 was successful and it received a certificate of registration, its remedies would refer back to the date when the application was actually filed.²⁹⁶

Plaintiff in *Zito v. Steeplechase Film, Inc.*²⁹⁷ was a photographer who took a photo of Ansel Adams in Yosemite National Park in connection with a story he was writing about Adams for The Washington Post. Plaintiff neither used the photograph for the story nor published it elsewhere. Approximately twenty years later, a representative of defendant contacted plaintiff about using the photograph in a documentary about Adams that defendant was producing. Although plaintiff did not grant consent, the photograph was used in the documentary, which was first aired in April 2002. In May 2002, plaintiff filed a copyright infringement suit. On June 17, 2002, plaintiff registered the copyright in the photograph at issue. On June 19, 2002, plaintiff amended his complaint, modifying his copyright infringement claim by adding six additional claims and attaching a copy of the registration application.²⁹⁸ In its motion to dismiss, defendant argued, inter alia, that the court did not have subject matter jurisdiction since plaintiff’s suit was filed prior to registration of the copyright in his photograph.²⁹⁹

The court held that, although defendant was correct that copyright registration is required for the court to “hear plaintiff’s copyright claim,” dismissal was not warranted, because “plaintiff had cured this defect by registering [the] copyrighted photograph and filing an amended complaint.”³⁰⁰ The court stated that “as a matter of efficiency, a failure to allege registration can be cured if the plaintiff registers the copyright and files an amended complaint including an allegation that the copyrighted work is registered.”³⁰¹ The court pointed out that the amended complaint included as an attachment “Plaintiff’s Filed Copyright Registration Form.”³⁰²

Note that it is not clear from the court’s language, “Plaintiff’s Filed Copyright Registration Form,” whether it is referring to a copyright registration certificate or a filed application.³⁰³

***147 C. Fraud on the Copyright Office**

*Sunham Home Fashions LLC v. Pem-America, Inc.*³⁰⁴ involved the alleged infringement of plaintiff’s designs for quilts and bed linens.³⁰⁵ Defendant claimed that plaintiff had committed fraud on the Copyright Office, arguing that plaintiff had fraudulently designated the fabric designs as works-made-for-hire.³⁰⁶ Applying the factors set out in *Community for Creative Non-Violence v. Reid*,³⁰⁷ the court found that the two designers of the works at issue were independent contractors. Noting that the works at issue did not fit into any of the nine categories delineated in the Copyright Act and that no evidence of a written agreement had been provided, the court found the works not to be works-made-for-hire.³⁰⁸

The court then turned to the question of whether the misdesignation in the copyright application constituted fraud on the Copyright Office. Defendant had argued that the misrepresentation was fraudulent because the Copyright Office would not have issued the registration had it known the works were not works-made-for-hire.³⁰⁹ The court noted that the misrepresentation was significant because of its effect on the issue of copyright ownership and speculated that it was “entirely possible” that the application would have been rejected.³¹⁰ However, the court continued, the misrepresentation in and of itself did not constitute grounds to find fraud.³¹¹ In order for fraud to be found, the plaintiff must have made the misrepresentation with the intent of misleading the Copyright Office.³¹² The court found that the facts indicated that defendant had acted “innocently, even if irresponsibly.”³¹³ The applications for copyright registration had been filled out by employees in defendant’s design department.³¹⁴ Significantly, the court stated that “[i]t is sensible to believe that in filling out the applications, designers would fail to understand the legal significance of the phrase ‘work-made-for-hire’ and, considering the *148 circumstances of their creation, view the designs as such.”³¹⁵ Thus, the court held, the misrepresentation did not rise to the level of fraud.³¹⁶

In *Yurman Design, Inc. v. Chandom Enterprises, Inc.*,³¹⁷ the court held that the copyright owner did not commit fraud on the Copyright Office by not disclosing that its source identifier, “D.Y.,” was not a registered trademark at the time of its application for copyright registration and that the copyright owner did not commit fraud by failing to disclose the allegedly derivative nature of its additional designs, which the same copyright owner had previously registered.³¹⁸

Plaintiff in *Huthwaite, Inc. v. Sunrise Assisted Living, Inc.*³¹⁹ had transferred to McGraw-Hill the exclusive right to publish and distribute plaintiff's work, retaining all other rights, and appointed McGraw-Hill as plaintiff's attorney-in-fact for the purpose of executing any documents necessary to record the transfer with the Copyright Office.³²⁰ McGraw-Hill later registered the copyright in the work, identifying plaintiff as the author and itself as the claimant.³²¹ In addressing defendant's contention that the registration was invalid because McGraw-Hill had inaccurately listed itself as the copyright claimant, the court conceded that a copyright claimant in whose name the registration is made must be either the author of the work or one who obtains ownership of the copyright, not one who merely owns certain exclusive rights in the work.³²² Nonetheless, the court concluded that McGraw-Hill had "simply made a technical error," noting that because there was no evidence that the error was "anything other than inadvertent and immaterial,"³²³ there was no evidence of fraud or knowing misstatement.³²⁴

D. Registration in Computer Programs

Defendant in *Xoom, Inc. v. Imageline, Inc.*³²⁵ claimed that its copyright registration for a CD-ROM collection of clip-art included the copyright in the computer programs behind the clip-art images as well as the images themselves and that because *149 the images were perceptible when printed in a two-dimensional format, it was required to submit to the Copyright Office only the Form VA application and not the source code that is usually required to obtain registration in a computer program.³²⁶ The court stated that although submission of the Form VA and two copies of the images was sufficient for registration of the copyright in the clip-art images, defendant had to have complied with the requirements set out in Circular 61, "Copyright Registration for Computer Programs," which requires deposit of computer source code, in order to obtain registration of the copyright in the computer program.³²⁷ Defendant argued that the creation of the software for the images was not original, because the images were created using commercially available products from companies such as Adobe and Microsoft; thus, it could not be, and was not, required to deposit a copy of the source code because it did not own the copyright in the programs used to create the source code.³²⁸ The court noted that Circular 61 does waive the deposit requirement when the source code at issue contains copyrightable authorship, but the applicant must submit a written statement stipulating such with its application.³²⁹ Thus, the court held that defendant had failed to meet the requirements necessary to register the copyright in the underlying computer programs.³³⁰

V. Infringement

A. Copying

1. Substantial Similarity

In *Swirsky v. Carey*,³³¹ individual plaintiffs alleged that the copyright in a song they had co-written was infringed by defendant songwriters, performer, producers, and distributors. Defendants sought summary judgment, arguing that plaintiffs had presented no triable issue of fact in showing that the two songs at issue were substantially similar.³³²

The court applied the Ninth Circuit extrinsic/intrinsic analysis to determine whether the works at issue were substantially similar, beginning by noting the Ninth Circuit's position that the greater defendant's access to a work at issue, the *150 lower plaintiff's threshold to establish substantial similarity.³³³ The court found that defendants had a high degree of access to plaintiffs' songs, based on four uncontested facts: the recordings of both songs at issue were mastered by the same individual; both albums were produced and distributed by the same entity; plaintiffs' music publisher had a commercial interest in both albums; and the same individual acted as producer for both recordings at issue.³³⁴ Thus, plaintiffs' burden to show substantial similarity was lessened.³³⁵

Plaintiffs relied primarily on testimony of their expert witness, who stated that a charge of copyright infringement would have to be based on the songs' choruses, because the lyrics and verse melodies differed clearly and significantly.³³⁶ The expert also noted that the chorus is "usually the most important part of a popular song."³³⁷ The expert opined that the choruses were "substantially similar, because they [had] similar melodies over similar base lines and chord changes, and [were] recorded in substantially the same genre, tempo, and key."³³⁸ He suggested that the melody of the choruses "must be compared as a whole, but add[ed] that a measure by measure comparison also demonstrate[d] the high degree of similarity between the two songs."³³⁹

Defendants argued that (1) the expert's opinion failed to create a triable issue of fact on the issue of substantial similarity because the melodic similarities were overstated in the expert's report and were contradicted by subsequent deposition testimony of the expert; (2) the expert had improperly relied on a subjective process of melodic reduction and completely ignored the differences in pitch and rhythmic emphasis between the two songs; (3) the defendants could not claim copyright protection for some of the passages that the expert found to be substantially similar, because the melody in those passages was a stock musical phrase not original to plaintiffs; and (4) many of the non-melodic similarities noted by the expert, such as tempo, genre, and key, were also commonplace and not subject to copyright protection.³⁴⁰

***151** Defendants first argued that plaintiffs' expert applied an improper analytical methodology, because the extrinsic test for infringement is meant to compare the works at issue according to objective criteria, whereas the expert had used the subjective process of "selective reduction," in which he selected for comparison only those notes that in his opinion were most important to the song.³⁴¹ The court found that, because the expert report "appears to analyze only a subset of the notes actually present in the two songs . . . [the expert] does not adequately explain, based on objective criteria, why that subset of notes is more important, or more appropriately analyzed, than the other notes present in the songs."³⁴²

Defendants next argued that plaintiffs' expert had overestimated the similarity of the melodies by emphasizing the pitch sequences and failing to consider the songs' rhythmic patterns.³⁴³ In reviewing the expert's measure-by-measure analysis, the court agreed with defendants that the choruses lacked substantial similarity because of the lack of subjective similarity in six of the eight measures analyzed, as well as the fact that the remaining two measures were not particularly unique.³⁴⁴

In response to defendants' argument that plaintiffs relied on unprotectable elements of the works, including the key, harmony, tempo, and genre, the court noted that in addition to the fact that plaintiffs had not submitted - and the court had not found - any cases where substantial similarity under the extrinsic test was based solely on similarities in key, harmony, tempo, or genre, either alone or in combination, many courts had held the opposite, that is, that such elements are not protectable.³⁴⁵ Finally, the court noted that plaintiffs had submitted no evidence that suggested that key, harmonic structure, tempo, or genre were not commonplace in popular music and were therefore not subject to copyright protection.³⁴⁶ Thus, the court granted defendant's motion for summary judgment, finding that, "given the lack of melodic similarity between the two songs, any alleged similarity in key, harmonic structure, tempo, or genre between [the two songs] is not sufficient to create a material question of fact under the extrinsic test."³⁴⁷

***152** *Celebration International, Inc. v. Chosun International, Inc.*³⁴⁸ involved the alleged infringement of plush tiger costumes. Having found that plaintiff's costume was subject to limited copyright protection, the court moved to the issue of copying.³⁴⁹ In determining this issue, the court made a side-by-side comparison of the two works to determine substantial similarity and provided a non-exhaustive list of nine differences between the two works, including:

1. color of the fur,
2. plaintiff's work had whiskers, while defendant's work had three black dots on either side of its face,
3. color of the noses,
4. shape of the noses,
5. length and fullness of the manes, and
6. size and color of the eyes.³⁵⁰

The court continued, however, that the dissimilarities did not preclude a finding of substantial similarity.³⁵¹ The court cited Judge Learned Hand's holding that works are substantially similar if "the ordinary observer, unless he set out to detect the disparities, would be disposed to overlook them, and regard their aesthetic appeal as the same," noting that an observer would detect the differences between the costumes only upon "careful comparison" and that a typical shopper could easily overlook the differences.³⁵² The court concluded that the similarities showed that plaintiff had a better than negligible chance of showing substantial similarity.³⁵³

In *Rodriguez v. Casa Salsa Restaurant*,³⁵⁴ plaintiff alleged that the copyright in his plan for a Puerto Rican themed restaurant was infringed; the court found that the elements plaintiff alleged were infringed were not protectable by copyright.³⁵⁵

Nonetheless, the court assumed, *arguendo*, that the elements were protectable and provided an analysis of substantial similarity based on the “ordinary observer test,” which considers whether the allegedly infringing work is “so similar to the plaintiff’s work that an ordinary reasonable person would conclude that the defendant *153 unlawfully appropriated the plaintiff’s protectable expression by taking material of substance and value.”³⁵⁶

Noting that “there are so many fundamental differences between the restaurants that plaintiff could not possibly show that they are substantially similar in the eyes of the ordinary observer,” the court focused on three elements as “showing substantial differences . . . that make a finding of substantial similarity impossible.”³⁵⁷ “First,” the court noted, “Casa Salsa was a Ricky Martin-themed restaurant” and “the theme explain[ed] the restaurant’s Salsa and Puerto Rican themes,” as well as several other elements listed by plaintiff.³⁵⁸ Second, the court noted that the menus were “markedly different.”³⁵⁹ While both offered some Puerto Rican cuisine, defendant’s restaurant provided very traditional Puerto Rican dishes “that could best be classified as elegant or continental Puerto Rican,” while in addition to traditional Puerto Rican food, plaintiff’s restaurant served items such as nachos, pizza, and surf-and-turf, “offerings that are best classified as American or international and very casual.”³⁶⁰ Finally, the court noted plaintiff’s own testimony that the décor of the restaurants differed in that defendant’s restaurant was “more classy than what I envisioned.”³⁶¹

2. Access

In *Calhoun v. Lillenas Publishing*,³⁶² plaintiff songwriter accused defendants of copyright infringement of one of his songs and appealed the district court’s grant of summary judgment in favor of defendant.³⁶³ The district court found insufficient evidence to show that defendants had access to plaintiff’s song or to show that the choruses at issue were strikingly similar.³⁶⁴ The Eleventh Circuit affirmed the district court’s decision but based its decision not on insufficient evidence of copying, but on the conclusion that plaintiff’s copyright claims should be barred by defendants’ claim of independent creation.³⁶⁵

*154 Plaintiff wrote the song at issue, “Before His Eyes,” in 1969 and recorded it on an album in 1970 that was subsequently released for sale.³⁶⁶ Individual defendant Robert McGee wrote the chorus “Emmanuel” in 1976 while he was serving as a pastor in a Seattle, Washington, church.³⁶⁷ Plaintiff filed a pro se complaint of copyright infringement in 1999, alleging that defendant’s chorus “Emmanuel” was based on the chorus from “Before His Eyes.”³⁶⁸ Defendants moved for summary judgment in district court, arguing that McGee independently created “Emmanuel,” McGee had no reasonable access to “Before His Eyes” when he created “Emmanuel,” and the works were not substantially similar.³⁶⁹ Plaintiff argued that defendant McGee had access to “Before His Eyes” through its performance at concerts and churches, as well as on television and radio stations, and that the works were substantially similar.³⁷⁰

On the issue of access, plaintiff presented three arguments. The first was that students from the state of Washington whom plaintiff had taught at a music school in Kentucky procured and distributed the music to McGee.³⁷¹ Plaintiff provided the names and addresses of seven students from the state of Washington but did not offer affidavits from any of the students to corroborate his allegations.³⁷² Second, plaintiff argued that McGee heard “Before His Eyes” on the radio, on television, or at a performance. Plaintiff, however, offered no evidence that any of the television shows on which the song was performed were aired outside of Atlanta and Portsmouth, Virginia, or that the radio shows on which “Before His Eyes” were performed were consistently accessible in the state of Washington.³⁷³ The Eleventh Circuit agreed with the district court’s conclusion that “the evidence does not support Calhoun’s claim that ‘Before His Eyes’ received widespread publicity” and went on to note that plaintiff had received only eleven dollars in performing rights and publishing royalties for the song and did not have records of any royalties from the sale of the album on which the song appeared.³⁷⁴

*155 Plaintiff in *Jorgensen v. Careers BMG Music Publishing*³⁷⁵ alleged that defendant infringed plaintiff’s copyright in an unpublished song, “A Rocker, That’s What I Always Will Be” (“Rocker”), which plaintiff sent unsolicited to defendant’s Artists and Repertoire Department.³⁷⁶ Plaintiff also sent various recordings to an individual working for defendant, Bruce Pollock, with whom plaintiff had a tenuous connection via their respective families.³⁷⁷ Plaintiff alleged that the Eric Clapton song “Change the World” infringed “Rocker” and that the writers of “Change the World” obtained access to “Rocker” via plaintiff’s unsolicited submission to defendant and via Pollock, despite the fact that plaintiff never sent a recording of “Rocker” to Pollock. Nonetheless, plaintiff argued that Pollock had access to “Rocker” “because Pollock’s office is ‘in direct proximity of [BMG’s] A & R department’ and because ‘[Pollock has] conceded to knowing [a] person in that department.’”³⁷⁸ Pollock admitted that he had listened to plaintiff’s music (though it is not clear that “Rocker” was included in that) but stated that he had never passed it on to anyone, including the writers of “Change the World;” that his job had no relationship with defendant’s publishing arm; and that he did not work creatively with songwriters at all.³⁷⁹ Plaintiff also argued that he sent his music to record companies in Nashville and that “‘tapes and CD’s get passed around’ the industry.”³⁸⁰

The court found that plaintiff failed to meet the burden of providing “significant, affirmative, and probative evidence” supporting his claim of access.³⁸¹ Even if plaintiff could prove his claims that his music had been received by those he claimed, the court stated that such evidence alone is not enough to create a prima facie claim of access.³⁸² Specifically, the court noted that plaintiff admitted that he did not know the authors of “Change the World” and did not send them a copy of “Rocker,” that the only evidence he presented of having sent materials out were “torn-out pages from songwriter market books listing the names of various companies he sent his recordings to;” and that his argument about Pollock having received a copy of “Rocker” was “purely speculative.”³⁸³ Finally, the court referred to plaintiff’s *156 claim that defendants gained access via plaintiff’s distribution to a Nashville entity as “weak,” stating that “bare corporate receipt of plaintiff’s work, without more, is insufficient to establish access.”³⁸⁴

B. Contributory and Vicarious Infringement

For the past few years, copyright owners, especially monolithic corporate owners such as entities within the movie and recording industries, have struggled to find effective means of addressing rampant and growing infringement over the Internet. The Recording Industry Association of America (“RIAA”) and the Motion Picture Association of America have been most active in these efforts, experimenting with various strategies both in court and with Congress. The past year has seen a few cases addressing the use of peer-to-peer networks to exchange copyrighted works. Rather than target individual direct infringers, these cases named the services providing peer-to-peer networks as defendants, charging them with contributory and vicarious infringement. Because this is a relatively new and growing application of this type of liability, a significant amount of space has been dedicated to these cases. For the same reason, an equal amount of attention has been given to the district court’s holding in *In re Aimster Copyright Litigation*³⁸⁵ and to the Seventh Circuit’s affirmation of that holding.

Plaintiffs in *Aimster* were a combination of songwriters, music publishers, and several recording companies belonging to the RIAA.³⁸⁶ Defendant *Aimster* was a file-sharing service that allowed members to identify and transfer files belonging to other members.³⁸⁷

The *Aimster* service actually performed several functions, which the court described in great detail.³⁸⁸ “First, it allow[ed] . . . users to send messages or transfer files to [and from] other users by facilitating the creation of direct . . . peer-to-peer networks.”³⁸⁹ All of the information transferred, including the identities of the users, was encrypted.³⁹⁰

Second, *Aimster* allowed users to identify other “buddies” with similar interests who may be interested in corresponding or exchanging files by searching the *157 user profiles on the system, which identified other users by subject of interest or by name of the file that the user had available on his or her hard drive.³⁹¹

Third, *Aimster* provided various bulletin boards for its users.³⁹² The court found that the subject matter of the bulletin boards fell into five categories of topics:

1. Users seeking to download specific copyrighted recordings;
2. Users offering specific recordings for download;
3. *Aimster* as an alternative to Napster;
4. Commentary on the legal status of sharing copyrighted music files (for example, “What you have with *Aimster* is a way to share, copy, listen to, and basically . . . break the law using files from other people’s computers.”); and
5. Bashing the music industry and the RIAA.³⁹³

Fourth, for a monthly fee of \$4.95, *Aimster* offered a service called “Club *Aimster*” through which users would receive “the *Aimster* Top 40,” a list of the songs “most frequently downloaded by *Aimster* users, virtually all of which [the court found to be] owned by plaintiffs.”³⁹⁴

Finally, at one point *Aimster* provided “*Aimster*’s Guardian Tutorial” on its web site, a tutorial that demonstrated how to

transfer and copy works using the Aimster service and using as examples some of the individual works whose copyrights belonged to plaintiffs.³⁹⁵

The Aimster service piggy-backed on AOL's Instant Messenger service, which allows users to communicate with each other in real time and to transfer files.³⁹⁶ The court, however, noted two limitations of the Instant Messenger file transfer service: a "user can only access the files of [another] user whose identity" he knows (a "buddy"); and the service had no search capabilities, so a "user must know the particular file that" she wished to transfer.³⁹⁷ "Aimster greatly expand[ed] the file transferring [abilities of Instant Messenger] by designating every *158 Aimster user as [a] 'buddy' of every other Aimster user."³⁹⁸ When combined with the search functions of Aimster, this meant that "every Aimster user ha[d] the ability to search for and download files contained on the hard drives of [every] other Aimster user."³⁹⁹

Two other features of the Aimster service are noteworthy. First, when an Aimster user is logged in to the Aimster service and searching for files to transfer to his own computer, other Aimster users are able to search for and transfer files from that first user's computer; thus, an Aimster user could become "an unauthorized distributor" of copyright-protected works "as soon as another . . . user initiate[d] a transfer of [those works]."⁴⁰⁰ Unlike AOL Instant Messenger, "all of the searching . . . and transfer[ring done] on the Aimster system is accomplished without a searching user needing to know the location or identity of any . . . specific" user or file to be transferred.⁴⁰¹ Second, Aimster allowed for the automatic resumption of transfers that were interrupted for any reason.⁴⁰² For example, if a transfer was interrupted and if the user on whose computer the file originally resided logged off, the Aimster software automatically connected the searcher to a file containing the same work located on the hard drive of a different Aimster user.⁴⁰³

The procedural background of the Aimster case involved a series of requests for declaratory judgment by defendants, lawsuits instigated by plaintiffs in various U.S. district courts, motions to consolidate, a hearing before a judicial panel on multidistrict litigation, and bankruptcy filings by defendant.⁴⁰⁴ The case at bar was the result of the multidistrict litigation panel's consolidation of plaintiffs' actions and addressed plaintiffs' motion for preliminary injunction.⁴⁰⁵

Plaintiffs sought to enjoin defendant's contributory and vicarious infringement of plaintiffs' copyrighted works.⁴⁰⁶ Because both contributory and vicarious infringement are based on a defendant's contribution to a third party's direct infringement, the court began its analysis by considering whether Aimster users had, indeed, engaged in direct copyright infringement.⁴⁰⁷ The court found that plaintiffs *159 had "unequivocally established that Aimster's users are engaged in direct copyright infringement" and that plaintiffs proved "that they own[ed] or control[led] the copyrights for works copied and distributed using the Aimster system."⁴⁰⁸

Defendants did not dispute that such unauthorized copying had occurred.⁴⁰⁹ Rather, defendants argued that "the Audio Home Recording Act of 1992 ("AHRA") acts as an affirmative defense."⁴¹⁰ "The AHRA forbids actions based on the non-commercial use of a device to record digital or analog musical recordings."⁴¹¹ "The main purpose of the AHRA [is] 'to ensure the right of consumers to make analog or digital audio recordings of [protected] music for their private, noncommercial use.'"⁴¹² Defendants claimed that the AHRA was meant to protect from liability "personal use of copyrighted material by 'protecting all noncommercial copying . . .'"⁴¹³ Rejecting defendants' argument, the court stated "they apparently believe that the ongoing, massive, and unauthorized distribution and copying of [p]laintiffs' copyrighted works by Aimster's end users somehow constitutes 'personal use.' This contention is specious and unsupported by the very case on which defendants rely."⁴¹⁴

Defendants had cited the holding in *Recording Industry Association of America v. Diamond Multimedia Systems*,⁴¹⁵ in which the Ninth Circuit affirmed denial of a preliminary injunction against the manufacture of the Rio.⁴¹⁶ The Rio was a small portable device to which users copied MP3 files from their computer hard drives or other storage units "so that the songs could . . . be played elsewhere without the need for the computer."⁴¹⁷ The Rio was not capable of further distribution of the MP3 files. The Aimster court found that the facts of the two cases were "markedly different," noting that the activity at issue in Aimster was the copying of MP3 files from one user's hard drive to that of another, whereas the Rio had "merely [made] copies in order to render portable, or space shift, those files that *160 already reside on a user's hard drive."⁴¹⁸ The court went on to note that the Rio case "had nothing whatsoever to do with whether the MP3 files on the owner's computers themselves infringed copyrights."⁴¹⁹

After finding direct infringement by Aimster users, the court moved on to considering the two factors of a contributory infringement analysis. "A party may be liable for contributory infringement [if he or she], 'with knowledge of the infringing activity, induces, causes, or materially contributes to the infringing conduct of another.'"⁴²⁰ The court found that defendants

had actual knowledge of the infringing activity based on various letters sent to defendants by the RIAA, the existence of the Guardian Tutorial, the activity on Aimster bulletin boards, and the operation of Club Aimster.⁴²¹ In response, defendants argued that the encryption function of the Aimster system prevented them from having the requisite knowledge.⁴²² Defendants stated that since all the data transferred was encrypted, “[d]efendants [were] never aware of which users [were] actually transferring which files.”⁴²³ The court rejected defendants’ argument, stating that “there is absolutely no indication in the precedential authority that such specificity of knowledge is required in the contributory infringement context.”⁴²⁴ The court also pointed out that it was “disingenuous” of defendants to claim that they lacked knowledge of the infringing activities “when their putative ignorance is due entirely to an encryption scheme that they themselves put in place.”⁴²⁵

Relying on the Ninth Circuit’s holding in *Fonovisa, Inc. v. Cherry Auction, Inc.*,⁴²⁶ the court held that plaintiffs had also succeeded in showing that defendants materially contributed to the underlying infringement by Aimster users.⁴²⁷ In *Fonovisa*, the Ninth Circuit held that “the owners of a swap meet or flea market could be held contributorily liable for the infringement of individual vendors in the swap meet when those vendors were trafficking in counterfeit musical recordings,” noting that “it would be difficult for the infringing activity to take place in the *161 massive quantities alleged without the support services provided by the swap meet.”⁴²⁸ The support services cited by the Ninth Circuit included providing vendors with “space, utilities, parking, advertising, plumbing, and customers.”⁴²⁹ The Aimster court then pointed to the reliance on *Fonovisa* by the district court in *A&M Records, Inc. v. Napster, Inc.*⁴³⁰ when it found that the services provided by Napster were analogous to those provided in *Fonovisa*.⁴³¹ The services cited by the Napster court included providing infringing users with “proprietary software, search engine servers, and means of establishing a connection between users’ computers.”⁴³² In addition, the Napster court pointed out that were it not for the services offered by Napster, its users would be unable to find and download the music they sought.⁴³³ In comparing the case at bar to both *Fonovisa* and *Napster*, the Aimster court found that the software and support services provided by Aimster materially contributed to the infringement by Aimster users.⁴³⁴ The court also noted “[t]he very existence of Club Aimster” in support of its finding.⁴³⁵ The court summarized its finding on this issue by stating that “[d]efendants manage[d] to do everything but actually steal the music off the store shelf and hand it to Aimster’s users.”⁴³⁶

Defendants argued, *inter alia*, that they should not be held liable because Aimster was capable of “substantial noninfringing uses,” relying on the Supreme Court’s holding in *Sony Corp. of America v. Universal City Studios*.⁴³⁷ Defendants argued that such non-infringing uses included the ability to transfer non-copyrighted files and messages, the ability for businesses without a network administrator to use Aimster’s services to exchange business records securely and efficiently, and the ability of users to identify other users with similar interests.⁴³⁸ The court distinguished *Sony* on five points.⁴³⁹

*162 First, where the *Sony* court emphasized that the principle uses of video recorders were non-infringing, Aimster had provided no evidence that the Aimster services were actually used for any of the claimed non-infringing purposes, leading to “the inescapable conclusion that the primary use of Aimster is the transfer of copyrighted material among its users.”⁴⁴⁰

Second, the *Sony* court stated that its holding applied only to a “staple article of commerce”⁴⁴¹ and that contributory infringement should usually be reserved for cases “involving an ongoing relationship between the direct infringer and the contributory infringer at the time the infringing conduct occurred.”⁴⁴² In comparison, the court found that Aimster did not deal with a staple article of commerce; rather, Aimster was “a service more closely akin to the swap meet in *Fonovisa*.”⁴⁴³ Unlike *Sony*, Aimster did involve an ongoing relationship between the direct infringers and the contributory infringers.⁴⁴⁴

Third, the court stated, “there is nothing to suggest that *Sony* extends to protect the unauthorized and widespread distribution of infringing works,” noting that “Aimster has virtually nothing to do with private, home use copying.”⁴⁴⁵

Fourth, the court pointed to authority suggesting that *Sony* does not apply when the products at issue “are specifically manufactured for infringing activity, even if those products have substantial non-infringing uses” and found that Aimster was “specifically designed to aid the infringing activities of its users.”⁴⁴⁶

Finally, the court noted the *Sony* court’s emphasis on the fact that “*Sony* had not ‘influenced or encouraged’ the unlawful copies,” whereas “Aimster actually goes to great lengths to both influence and encourage the direct infringement among its users.”⁴⁴⁷

Vicarious infringement may be established when a defendant has “the right and ability to supervise infringing activity and also has direct financial interest in such activities.”⁴⁴⁸ Pointing to the Aimster Terms of Service, which stated that *163 Aimster had the right to terminate individual users and that Aimster would “take down” infringing material, the court found

that defendants had the right and ability to supervise the activities of Aimster users.⁴⁴⁹ The court was not convinced by defendants' argument that the encryption prevented it from being able to block users' access, but it noted that even if that were true, it would not prove that defendants did not have the right and ability to supervise users' activities, stating that "[t]he fact that users must log in to the system . . . demonstrate[d] that [d]efendants '[knew] full well' whom their users [were]."⁴⁵⁰

The court also found that defendant clearly had a direct financial interest in the infringing activities, noting that every Aimster user was required to join Club Aimster and pay the requisite \$4.95 monthly fee.⁴⁵¹ The court also pointed to defendants' online solicitation of contributions on the Aimster site "to help fund their involvement in this litigation" and defendants' offering for sale various Aimster-related merchandise on the website, including "Fight for Justice" posters, "apparently intended as a rallying call for the free availability of copyrighted music."⁴⁵²

On appeal, Judge Posner of the Seventh Circuit affirmed the district court's granting of a preliminary injunction. However, unlike the district court, the Seventh Circuit focused almost exclusively on the analysis under Sony. The court began by giving a brief overview of the background of the case, stating simply that the swapping of copyrighted files infringes copyright and that those who do so are direct infringers, noting that "in principle . . . the purchase of a single CD could be levered into the distribution within days or even hours of millions of identical, near-perfect . . . copies of the music recorded on the CD."⁴⁵³ Having conducted only a cursory analysis of Aimster users' direct infringement, the court moved on to the issue of Aimster's contributory infringement.

The court began this analysis by noting that the fact that copyrighted materials might at times be shared without authorization by users of a file-sharing system did not necessarily make the owner of that system a contributory infringer.⁴⁵⁴ To determine whether such a party should be liable for contributory infringement, the court relied on the Supreme Court's decision in Sony, stating that the Court "made clear . . . that the producer of a product that has substantial noninfringing uses is not a contributory infringer merely because some of the uses actually made of the *164 product . . . are infringing. How much more the Court held is the principal issue that divides the parties" in the case at bar.⁴⁵⁵ The court pointed out that the Betamax recorders at issue in Sony were used for a combination of infringing and noninfringing purposes and that "the Court thought that Sony could not demix them because once Sony sold the recorders it lost all control over their use."⁴⁵⁶ The court then provided a lengthy but significant quote from Sony:

[T]he sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial noninfringing uses. The question is thus whether the Betamax is capable of commercially significant noninfringing uses. In order to resolve that question, we need not explore all the different potential uses of the machine and determine whether or not they would constitute infringement. Rather, we need only consider whether, on the basis of the facts as found by the district court, a significant number of them would be noninfringing. Moreover, in order to resolve this case, we need not give precise content to the question of how much use is commercially significant. For one potential use of the Betamax plainly satisfies this standard, however it is understood: private, noncommercial time-shifting in the home.⁴⁵⁷

The RIAA argued that Sony was inapplicable to the current case, pointing to the Sony Court's reference to "articles of commerce;" the Court's concern that copyright owners were trying to leverage their copyrights into a monopoly over videorecorders; and Sony's inability to prevent infringing uses of the recorders once sold.⁴⁵⁸ The RIAA argued that with services, as opposed to articles of commerce, the test should be "merely whether the provider knows it's being used to infringe copyright."⁴⁵⁹ The Seventh Circuit agreed with the RIAA's argument that the ability of a service provider to prevent its users from engaging in infringing activity is a factor that should be considered in determining its liability for contributory infringement.⁴⁶⁰ It disagreed with the RIAA, however, that such should be a controlling factor, noting that

[i]f a service facilitates both infringing and noninfringing uses . . . and the identification and prevention of the infringing uses would be highly burdensome, the rule for which the recording industry is contending could result in the shutting down of the service or its annexation by the copyright owners (contrary to the clear import of the Sony decision).⁴⁶¹ *165 The RIAA also argued that, when "there is anything 'more than a mere showing that a product could be used for infringing purposes,'" Sony provides no defense to contributory infringement.⁴⁶² Noting that Sony was held not to be a contributory infringer despite the fact that the recorders at issue were obviously being used for infringing purposes as well as noninfringing purposes, the Seventh Circuit stated,

[t]he Court was unwilling to allow copyright holders to prevent infringement effectuated by means of a new technology at the

cost of possibly denying noninfringing consumers of the benefit of the technology. We therefore agree with Professor Goldstein that the Ninth Circuit erred in *A&M Records, Inc. v. Napster, Inc.* in suggesting that actual knowledge of specific infringing uses is a sufficient condition for deeming a facilitator a copyright infringer.⁴⁶³

The court also rejected Aimster's argument that the RIAA had to prove that it had actually lost money as a result of the copying done via the Aimster service.⁴⁶⁴ The Seventh Circuit pointed out that although the Sony Court had emphasized that plaintiffs had failed to show they were substantially harmed, the context was that of assessing a fair use argument rather than infringement and that one reason the Sony Court found time-shifting to be a fair use was that not only was it not hurting the copyright owners, but it was actually enlarging the audience for their programs.⁴⁶⁵ Thus, the court stated, when a defendant's product or service is capable of infringing and noninfringing uses, "some estimate of the respective magnitudes of these uses is necessary for a finding of contributory infringement," but "only in a case in which substantial noninfringing uses, present or prospective, are demonstrated."⁴⁶⁶

The court next addressed Aimster's arguments that it could not be held liable for contributory infringement because the encryption features of its services prevented it from having the requisite knowledge.⁴⁶⁷ Noting that "[w]illful blindness is knowledge" and that "[o]ne who, knowing or strongly suspecting that he is involved in shady dealings, takes steps to ensure that he does not acquire full or exact knowledge of the nature and extent of those dealings is held to have a criminal intent," the court rejected Aimster's argument.⁴⁶⁸ It pointed out, however, that the provider of an encrypted service or software is not necessarily a contributory infringer, ***166** noting that "[e]ncryption fosters privacy, and privacy is a social benefit."⁴⁶⁹ Rather, the court's point was "only that a service provider that would otherwise be a contributory infringer does not obtain immunity by using encryption to shield itself from actual knowledge of the unlawful purposes for which the service is being used."⁴⁷⁰

The court also rejected Aimster's argument that it only needed to show that its system was capable of being used in noninfringing ways based on the Court's distinction in *Sony* between actual and potential noninfringing uses.⁴⁷¹ Noting that such a proposition would allow the seller of a product or service used only for infringing purposes, even though capable in principle of noninfringing purposes, to escape liability, the court stated that such a result was not the intent of the Sony Court, pointing to the Sony Court's emphasis that: Sony had not encouraged infringing uses in its advertisements; the recorders at issue were used "principally for time-shifting . . . a fair use;" and plaintiffs in *Sony* owned only a small percentage of copyrighted television programming, and it was unclear how many other owners objected to home taping.⁴⁷²

The court moved on to analogize contributory infringement to the law of aiding and abetting, "the criminal counterpart to contributory infringement."⁴⁷³ Using an analogy likely to catch the attention of Aimster users, the court pointed out that a seller of "slinky dresses" is not guilty of aiding and abetting prostitution, even if he knows some or certain of his clients are guilty of prostitution, because the extent to which the dress seller's activities promote prostitution "is likely to be slight relative to the social costs of imposing a risk of prosecution on him."⁴⁷⁴ In comparison, the owner of a "massage parlor" who employs women "capable of giving massages, but who sells only sex . . . is indeed an aider and abettor of prostitution."⁴⁷⁵ The court summarized by stating, "[t]o the recording industry, a single known infringing use brands a facilitator an infringer. To the Aimsters of the world, a single noninfringing use provides complete immunity. Neither is correct."⁴⁷⁶

Stating that the evidence did not exclude the possibility of substantial noninfringing uses, the court found that the evidence was sufficient to shift the burden to ***167** Aimster to demonstrate substantial noninfringing uses.⁴⁷⁷ Pointing out five examples of actual or potential noninfringing uses of Aimster services, the court emphasized that the issue was how likely these uses were.⁴⁷⁸ "[I]t is not enough, as we have said, that a product or service be physically capable . . . of a noninfringing use."⁴⁷⁹ Because Aimster had failed to produce any evidence that its services were used for noninfringing purposes, the court assumed that such evidence did not exist; therefore, it held that the district court had been justified in concluding that the RIAA would be likely to prevail on the issue of contributory infringement.⁴⁸⁰ The court went on to state that even where noninfringing uses occur, if the infringing uses are substantial, the contributory infringer must show that it would have been disproportionately costly for him to eliminate or substantially reduce the infringing uses, which Aimster failed to do.⁴⁸¹

Turning to the issue of vicarious infringement, the court stated that it was "less confident" that the district court would find that the RIAA would prevail.⁴⁸² Noting that Aimster had the ability to limit the amount of direct infringement on its system, the court stated that whether its failure to do so made it a vicarious infringer was "academic" in that "its ostrich-like refusal to discover the extent to which its system was being used to infringe copyright is merely another piece of evidence that it was a contributory infringer."⁴⁸³

In *Metro-Goldwyn Mayer Studios, Inc. v. Grokster Ltd.*,⁴⁸⁴ defendants Grokster Ltd. and StreamCast Networks, Inc. distributed file-sharing software that enabled users to exchange files via peer-to-peer transfers. Although each defendant created and marketed its own software, the functions performed by all versions of the software were essentially the same.⁴⁸⁵ The software provided various means through which users could search for shared files; select a specific file to be transferred, thus creating a new file identical to the original; and then share the duplicated files with others.⁴⁸⁶

***168** In considering plaintiffs' claims that defendants were both contributorily and vicariously liable for copyright infringement, the court noted that plaintiffs must first demonstrate that the end users were liable for direct copyright infringement.⁴⁸⁷ Citing *A&M Records, Inc. v. Napster, Inc.*,⁴⁸⁸ the court found that the end users' acts of uploading and downloading copyrighted music infringed plaintiffs' rights of reproduction and distribution and therefore plaintiffs had established direct infringement of their copyrighted works.⁴⁸⁹

The court then considered defendant's liability for contributory infringement.⁴⁹⁰ An actor is liable for contributory infringement if, "with knowledge of the infringing activity, [he] induces, causes or materially contributes to the infringing conduct of another."⁴⁹¹ In expanding on this definition, the court addressed each of the two factors in the definition: knowledge, which requires the secondary infringer to "know, or have reason to know of [the] direct infringement,"⁴⁹² and material contribution, which requires the secondary infringer to engage "in personal conduct that encourages or assists the infringement."⁴⁹³

In addressing the knowledge component of contributory infringement, the court emphasized that "evidence of actual knowledge of specific acts is required."⁴⁹⁴ The court then applied the standard created by the U.S. Supreme Court in *Sony*, in which defendants were held not to be contributorily liable for copyright infringement because the VCRs at issue were capable of "substantial noninfringing uses" as well as infringing uses, and generic or "constructive" knowledge of infringing activities was held to be insufficient to establish liability.⁴⁹⁵ The court then stated that it was undisputed that defendants' software could be used for substantial noninfringing uses, such as distributing noncopyrighted works, using the software in countries where it was legal, and facilitating searching for public domain materials and government documents.⁴⁹⁶ Citing *Napster* again, the court explained that "defendants are liable for contributory infringement only if they (1) have specific ***169** knowledge of an infringement at a time at which they contribute to the infringement and (2) fail to act upon that information."⁴⁹⁷ Acknowledging plaintiffs' "massive volume of . . . evidence," including internal documents establishing that defendants were aware their users were infringing copyrights and notices that were sent by plaintiffs to defendants, the court found that defendants clearly knew that "many if not most" of their users used the software to infringe copyrights.⁴⁹⁸

The court then moved on to the requirement that defendant's actual knowledge of infringement must be at a time when defendant can "use that knowledge to stop the particular infringement."⁴⁹⁹ "The question, however, is whether actual knowledge of specific infringement accrues at a time when either [d]efendant materially contributes to the alleged infringement, and can therefore do something about it."⁵⁰⁰ Once again, the court turned to *Napster* in considering the material contribution factor, noting the district court's finding in that case that, without the services provided by defendant, users "could not find and download the music they want with the ease of which defendant boasts."⁵⁰¹ In *Napster*, the Ninth Circuit had held that defendant materially contributed to users' infringement in providing the "site and facilities" for direct infringement.⁵⁰²

Plaintiffs in the case at bar argued that defendants actively facilitated the exchange of copyrighted files, thereby materially contributing to the infringement.⁵⁰³ The court proceeded to explain in some detail the technology, systems, and operations of each defendant.⁵⁰⁴ In both cases, users transferring files did so without any files being transmitted to or through equipment or computers owned by either defendant.⁵⁰⁵ The court then concluded that neither defendant provided the "site and facilities" for direct infringement, as defendant in *Napster* had.⁵⁰⁶ Nor did either defendant facilitate the exchange of files between users in the way that *Napster* had:

Users connect to the respective networks, select which files to share, send and receive searches, and download files, all with no material involvement of [d]efendants. If either ***170** [d]efendant closed their doors and deactivated all computers within their control, users of their products would continue sharing files with little or no interruption.⁵⁰⁷

The court then turned to its analysis of vicarious infringement, which it defined as occurring when a defendant "has a right and ability to supervise the infringing activity and also has a direct financial interest in such activities," noting that an actor may be liable for vicarious infringement without knowledge of the infringing action.⁵⁰⁸

The court held that defendants had clearly derived a financial benefit from the infringing conduct of their users.⁵⁰⁹ Quoting the Ninth Circuit's statement in *Napster* that "financial benefit exists where the availability of infringing material acts as a 'draw' for customers," the court noted that the ability to trade copyrighted songs "certainly is a 'draw' for many users of [d]efendants' software."⁵¹⁰ The court also noted that, even though users did not pay to use defendants' software, defendants derived substantial revenue from advertising, the amount of which was based on the number of users downloading defendants' software.⁵¹¹ Thus, the court reasoned, "because a substantial number of users download the software to acquire copyrighted material, a significant proportion of [d]efendants' advertising revenue depends upon the infringement."⁵¹²

In analyzing defendants' right and ability to supervise the infringing conduct, the court turned to both *Napster* and *Aimster*.⁵¹³ In *Napster*, the defendant had the right and the ability to control the central indices of files being shared and exchanged and had limited access to the file-sharing system of users who maintained a valid registration with *Napster*.⁵¹⁴ Similarly, the defendant in *Aimster* was determined to have the right and ability to supervise the infringing conduct because it had the ability to terminate users and to control access to its systems.⁵¹⁵

Defendants in the case at bar argued that because they did not have the ability to supervise or control the file-sharing networks or restrict access to them, they could not police the files being traded as could *Napster*.⁵¹⁶ Plaintiffs responded that *171 the software itself could be altered to prevent users from sharing copyrighted files.⁵¹⁷ The court noted, however, that such safeguards were immaterial to the current analysis, because the obligation to police in such a way arises only when the defendant has the right and ability to supervise the infringing conduct.⁵¹⁸ The court went on to distinguish *Napster*, which held that "the 'premises' of the infringement were the *Napster* network itself and that *Napster* had a duty to exercise its reserved right and ability to police those premises to the fullest extent possible."⁵¹⁹ In contrast, defendants in the current case provided software that communicated across networks completely beyond defendants' control.⁵²⁰ "The doctrine of vicarious infringement does not contemplate liability based upon the fact that a product could be made such that it is less susceptible to unlawful use, where no control over the user of the product exists."⁵²¹

In granting defendants' motion for summary judgment, the court noted that it was "not blind to the possibility that [d]efendants may have intentionally structured their businesses to avoid secondary liability for copyright infringement" but stated that "[t]o justify a judicial remedy, however, [p]laintiffs invite this [c]ourt to expand existing copyright law beyond its well-drawn boundaries," noting the Supreme Court's observation in *Sony* that courts must tread lightly in circumstances such of these.⁵²²

VI. Defenses and Exceptions

A. Fair Use

The copyright infringement case of *Bond v. Blume*⁵²³ grew out of a state court child custody suit in which the mother sued her former husband for sole custody of their three children.⁵²⁴ The former husband cross-petitioned for sole custody and introduced into evidence an autobiographical manuscript written by the wife's current husband in an effort to establish that the wife's current home would not be a suitable place for the children.⁵²⁵ The manuscript told the story of the second husband, who at the age of seventeen, murdered his father by beating him to death with *172 a hammer.⁵²⁶ During the child custody suit, the former husband's attorneys introduced the manuscript as an exhibit during a deposition of the mother, after which the second husband registered the copyright in the manuscript with the Copyright Office.⁵²⁷ Immediately after doing so, he instigated the action for copyright infringement.⁵²⁸

Plaintiff named as defendants, *inter alia*, the first husband and his attorneys and requested both preliminary and permanent injunctions prohibiting use of the manuscript for any purpose and requiring the return of all existing copies.⁵²⁹ The district court held that the use at issue was a fair use and denied plaintiff's motions for injunctions.⁵³⁰

On appeal, plaintiff contended that the district court had adopted a *per se* rule that use of protected works as evidence in a legal proceeding constitutes fair use and that the district court had erred by not considering all of the statutory fair use factors.⁵³¹ In response, defendants argued that the district court had properly considered all four factors.⁵³² The Fourth Circuit proceeded to review the district court's holding *de novo*.⁵³³

The court found the first factor, purpose and character of the use, to weigh heavily against plaintiff, since the challenged use was non-commercial, noting that plaintiff must therefore demonstrate that the use would harm the potential market for the manuscript, which it found plaintiff had not done.⁵³⁴

The court began its analysis of the second factor, nature of the copyrighted work, by stating that the facts that plaintiff's manuscript was unpublished and that it contained a "stylized mode of expressing his feelings about historical facts" both weighed in favor of the plaintiff.⁵³⁵ However, the court went on to quote *Campbell v. Acuff-Rose Music Inc.*⁵³⁶ for the proposition that the four factors should not be considered in isolation but rather should be weighed together in light of the purpose ***173** of copyright law.⁵³⁷ The court found that the incentive for creativity was not diminished by the use at issue because the use was related to the historical facts contained in the work and not to the mode of expression of those facts.⁵³⁸

The court used a similar analysis in applying the third factor, amount and substantiality of the portion used, by emphasizing that although all or nearly all of the work was used, the use was related to the factual content rather than to the expressive content.⁵³⁹ In noting that the use at issue did not undermine the protections granted by the Copyright Act but did serve important societal interests by providing evidence to the fact finder, the court cited *Fogerty v. Fantasy, Inc.*⁵⁴⁰ for the proposition that the monopoly privileges authorized by the Copyright Act "are limited in nature and must ultimately serve the public good."⁵⁴¹

The court also found the fourth factor, effect on the potential market for the work, to favor defendants, noting that not only was there "no evidence that the [use at issue] would adversely affect its marketability," but "[i]ronically, if anything, the defendant's use increases the value of the work in a perverse way."⁵⁴² Thus, the court concluded that the district court did not err in its holding that defendants' use constituted a fair use.⁵⁴³

Plaintiff in *Mattel Inc. v. Pitt*,⁵⁴⁴ owner of the copyright in SuperStar Barbie, sued defendant for copyright infringement based on defendant's creation of a Dungeon Doll out of a SuperStar Barbie. The Dungeon Doll was apparently a repainted and recostumed doll incorporating a SuperStar Barbie head. Defendant also maintained a web site featuring images of the Dungeon Doll in a sexually explicit story and offering sexual paraphernalia for sell.⁵⁴⁵

Defendant claimed a fair use defense. In analyzing the first fair use factor, the court began with the transformative character of the Dungeon Dolls, citing the U.S. Supreme Court's statement in *Campbell* that "the more transformative the new ***174** work, the less will be the significance of other factors."⁵⁴⁶ The court noted that the transformative nature of the Dungeon Dolls was evidenced by both the costume and the anatomy of the dolls, as well as the context in which the images appeared, quoting from the web site description of the dolls' "Lederhosen-style Bavarian bondage dress and helmet in rubber with PVC-mask and waspie."⁵⁴⁷ The court also noted the "photographic storyboard" created by the images on defendant's website, citing the story of Lily, the Diva Dominatrix, who "was the protagonist in a tale of sexual slavery and torture, the victim of which was another reconfigured Barbie."⁵⁴⁸ The court made its point by noting that defendant's alterations to the dolls, combined with the settings that she created for them, transformed the original doll "to put it mildly . . . to an extent beyond merely supplanting it. A different analysis would apply if defendant had, for example, dressed Barbie dolls in a different style of cheerleader outfit than those marketed by Mattel. To the court's knowledge, there is no Mattel line of S&M Barbie."⁵⁴⁹

Quoting the Court's statement in *Campbell* that "parody has an obvious claim to transformative value . . . [providing] social benefit by shedding light on earlier work"⁵⁵⁰ and noting that a parody must, at least in part, be a commentary on the work at issue, the court accepted defendant's assertions that she was at least in part attempting to comment on the sexual nature of Barbie via the Dungeon Dolls.⁵⁵¹ Overall, the court found the first factor to favor defendant.⁵⁵²

In applying the second factor of the fair use test, the court found that Barbie was undisputedly a creative work, but stated that, in a parody analysis such as that in the case at bar, the second factor assumed less importance than the others.⁵⁵³

The court began its analysis of the third factor by explaining that the degree of copying allowed varies with the purpose and character of the use.⁵⁵⁴ More specifically, the court explained that the third factor "acts as a link between the first and fourth factors to screen out works that lack transformative character or threaten ***175** to serve as a market substitute for the original work."⁵⁵⁵ In the case of parodies, this analysis becomes particularly complicated, because the effectiveness of the parody depends upon the degree to which it is able to "conjure up" the work being parodied.⁵⁵⁶ In sum, then, the extent to which a parody may copy an original will depend upon the extent to which the "overriding purpose and character is to parody the original or, in contrast, the likelihood that the parody may serve as a market substitute for the original."⁵⁵⁷ Finding that "there is slim to no likelihood that Dungeon Dolls would serve as a market substitute for Barbie dolls," the court found that the third

factor also favored plaintiff.⁵⁵⁸

The court again cited Campbell in its application of the fourth factor, beginning with Campbell's proposition that, "especially when confronted with the parody, a court must determine the likelihood of the copy acting as a market substitute for the original . . ." ⁵⁵⁹ Not only is it unlikely that the copy in a parody case will replace demand for the original, but reduced demand for the original due to the parody's criticism of it does not constitute a harm recognizable under the Copyright Act.⁵⁶⁰ Considering the market for a potential derivative of the original, the court must consider only those derivative uses in which the creator of the original would be likely to engage; in other words, "the law recognizes that there is no derivative market for critical works, including parody."⁵⁶¹

Concluding that "even if the Court were to find the element of parody less significant than either the commercial or the erotic element of defendant's dolls, the dolls do not appear to pose any danger of usurping demand for Barbie dolls in the children's toy market," the court held that the evidence sufficiently raised the question of fair use and therefore dismissed plaintiff's motion for summary judgment.⁵⁶²

B. First Sale Doctrine

In *Adobe Systems Inc. v. Stargate Software Inc.*,⁵⁶³ plaintiff distributed software products under licensing arrangements in which the software was first licensed to a network of distributors and original equipment manufacturers that were *176 then permitted to engage in limited redistribution whereby the recipient was subject to a shrink-wrap end user license that prohibited copying or commercial redistribution.⁵⁶⁴ Defendant was a discount software distributor who acquired plaintiff's software from two other businesses and then distributed copies of that software at below-market prices.⁵⁶⁵ Plaintiff sued defendant, alleging that its copyrights were infringed when defendant obtained and sold versions of plaintiff's software without plaintiff's authorization.⁵⁶⁶ Defendant argued that its actions did not constitute infringement pursuant to the first sale doctrine.⁵⁶⁷

The court identified the issue as whether plaintiff had transferred ownership of each particular copy of its software through its end user licenses, in which case the first sale doctrine would bar it from claiming copyright infringement, noting that distribution of the software via license would not subject it to the first sale doctrine.⁵⁶⁸ Arguing that each sale of a copy of the software constituted plaintiff's parting with title to that particular copy, defendant alleged that the licenses at issue did not purport to retain title to the particular copy being distributed, thus making such distribution subject to the first sale doctrine.⁵⁶⁹ Plaintiff argued that software licensing was a common method of distribution that allows copyright holders to place restrictions on the further distribution of software and that defendant was well aware of plaintiff's practice of licensing software.⁵⁷⁰ Furthermore, plaintiff alleged that its license agreements with its distributors placed multiple restrictions on the title and that its intention was to effect a license rather than a sale of the software.⁵⁷¹

The court first examined plaintiff's contracts with its distributors, On or Off Campus Educational Reseller Agreements ("OCRAs").⁵⁷² The OCRAs stated that "Adobe is the owner and developer" of the software at issue.⁵⁷³ Defendant argued that the language of the OCRAs indicated a sale rather than a license of the software,⁵⁷⁴ pointing to language such as "software products owned by reseller" and " *177 Adobe may, at its option, repurchase any or all of such [software]."⁵⁷⁵ The court, however, concluded that the overall language in the OCRAs evidenced a license rather than a sale, pointing to the following language:

- "Ownership of Proprietary Rights"
- "Reseller acknowledges that the structure and organization of the Software is proprietary to Adobe and that Adobe retains exclusive ownership of the Software and Trademarks."
- "Except as provided herein, reseller is not granted any rights to patents, copyrights . . . or any other rights, franchises, or licenses with respect to the software."⁵⁷⁶

The court cited an earlier case in which Adobe sued a different party for infringement of its software for the proposition that "evidence of trade usage demonstrates that it is commonplace for sales terminology to be used in connection with software licensing agreements."⁵⁷⁷

The court also pointed to the fact that the OCRAs incorporated the end user license agreement by stating that the reseller, who was a signatory to the OCRAs, was bound by the terms and conditions of the end user license agreement, even though the reseller was not a signatory to that agreement.⁵⁷⁸ The end user license agreement contained language stating that Adobe granted a “nonexclusive license to use the software and documentation” pursuant to certain restrictions.⁵⁷⁹ The court again cited One Stop Micro and noted that it would be “incongruous” to hold that the resellers owned copies of the software, whereas the end users to whom the reseller distributed the software were granted a “mere license.”⁵⁸⁰ Finally, the court cited various restrictions in the OCRAs limiting the reseller’s ability to distribute Adobe software.⁵⁸¹

In summarizing its analysis, the court noted that “software is unique from other forms of copyrighted information” and opined that one of the primary advantages of software, “its ability to record, concentrate, and convey information with unprecedented ease and speed, makes it extraordinarily susceptible to illegal copying *178 and piracy.”⁵⁸² Thus, the court held, “it is important to acknowledge these special characteristics of the software industry and provide enhanced copyright protection for its inventors and developers.”⁵⁸³ Finally, the court also referred to the “fundamental” right of members of a free society to contract and to negotiate agreed-upon terms by which a product is exchanged between the parties.⁵⁸⁴

The court concluded that, “based on the clear and unambiguous language of the relevant contracts coupled with the multiple restrictions on title placed on the reseller,” the transaction at issue constituted a license rather than a sale of the software; denied defendant’s motion for summary judgment; and granted plaintiff’s motion for summary judgment.⁵⁸⁵

C. Preemption

Plaintiff and defendant in *Collezione Europa USA, Inc. v. Hillsdale House Ltd.*⁵⁸⁶ were competitors in producing and selling furniture to retail distributors.⁵⁸⁷ More specifically, plaintiff was in the business of creating knock-offs for sale at lower prices than the originals.⁵⁸⁸ Defendant sent plaintiff a cease-and-desist letter, claiming that plaintiff had created a line of furniture infringing upon a line in which defendant had obtained copyright registration.⁵⁸⁹ Plaintiff then filed the action at bar, seeking declaratory judgment that its activities did not infringe any of defendant’s rights.⁵⁹⁰ Defendant counterclaimed, alleging that plaintiff’s marketing and sale of the furniture at issue infringed defendant’s rights under the Copyright Act, as well as unfair competition and unjust enrichment under state law.⁵⁹¹

Plaintiff moved to dismiss defendant’s state law claims on the basis that they were preempted by the Copyright Act.⁵⁹² The court first laid out three conditions that must be satisfied in order for preemption to apply: “(1) the work at issue must be of the type protected by the copyright laws; (2) the right claimed must be equivalent to a right protected under federal copyright law; and (3) the cause of action *179 must not have arisen before January 1, 1978.”⁵⁹³ Stating that the first and third conditions were clearly satisfied, the court moved on to analyzing the nature of the right asserted, stating that it must determine whether the state law claims were “being asserted to protect rights that are equivalent to the rights protected by federal copyright law.”⁵⁹⁴ The court applied the “extra element” test for preemption, quoting Professor Nimmer’s statement that the extra element “‘‘must be one which changes the nature of the action, so that it is qualitatively different from a copyright infringement claim.’”⁵⁹⁵

The court first addressed defendant’s unfair trade practices claim, in which it alleged that plaintiff had intentionally deceived consumers by marketing and selling furniture “as if it contained its own original designs,” when the designs were actually those of the defendant.⁵⁹⁶ Defendant went on to assert that plaintiff’s actions were “more than mere copyright infringement; they are immoral, unethical, unscrupulous and substantially injurious to consumers.”⁵⁹⁷

Defendant relied on a recent Northern District of North Carolina case in which the court held that plaintiff’s state law claims for unfair trade practices were not preempted because defendant had promised to pay plaintiff in exchange for using her designs but then failed to do so.⁵⁹⁸ In that case, the court held that “‘the fraud and not the actual copyright violation would be the gravamen of the claim.’”⁵⁹⁹ The court distinguished the case at bar by pointing out that defendant had not alleged fraud and that the copyright violation constituted the gravamen of the claim.⁶⁰⁰ The court went on to note that defendant had not alleged that plaintiff had deceptively palmed off its furniture as being that of defendant.⁶⁰¹ Finally, the court found that defendant’s assertion that the conduct was “immoral, unethical, unscrupulous and substantially injurious to consumers” did not constitute an extra element to make the claim qualitatively different from a copyright infringement claim.⁶⁰² The court stated that even if “commercial immorality” was considered to *180 be an extra element, it would only change the scope, not the nature, of the action.⁶⁰³ Thus, the court found that defendant’s claim for unfair and deceptive trade practices was preempted.⁶⁰⁴

Defendant's unjust enrichment claim alleged that plaintiff's unauthorized copying had conferred a benefit upon plaintiff, which it retained inequitably.⁶⁰⁵ The court found that defendant's unjust enrichment claim failed to state any element qualitatively different from the copyright infringement claim.⁶⁰⁶ The court distinguished the cases cited by defendant in support of its claim by pointing out that each case involved at least a quasi-contractual relationship between the parties, whereas defendant's claim "is based not on any understanding, discussions or quasi-contract between the parties, but on the mere act of copying and selling furniture and retaining any benefit derived therefrom."⁶⁰⁷ Specifically, the court found that defendant's claim did not establish a qualitatively different element because the calculation of damages in a copyright infringement suit would necessarily include any wrongful gain by the defendant.⁶⁰⁸ Thus, the court found that defendant's unjust enrichment claim was also preempted.⁶⁰⁹

Both plaintiff and defendants in *Old South Home Co. v. Keystone Realty Group, Inc.*⁶¹⁰ were developers involved in the design, construction, and sale of residential property.⁶¹¹ Plaintiff claimed that defendants had infringed on plaintiff's copyright in a particular home design by preparing plans for constructing and marketing a home that was nearly identical to one of its own.⁶¹² Plaintiff sought both damages and an injunction based on the copyright infringement claim, as well as claiming that defendants' infringement constituted unfair and deceptive trade practices in violation of state law.⁶¹³ Defendants argued that the latter claim was preempted by the Copyright Act.⁶¹⁴

***181** A prima facie claim under the state law at issue required plaintiff to establish that defendants (1) had committed an unfair or deceptive act or practice, (2) in or affecting commerce, (3) that caused injury to plaintiff.⁶¹⁵ Plaintiff argued that each of these factors constituted an extra element under the preemption analysis and thereby prohibited preemption of the state law claim.⁶¹⁶

In its analysis, the court focused on the requirement that the extra element make the state cause of action qualitatively different from a copyright infringement claim, holding that the extra elements involved did not qualitatively change the nature of the state law claim, which was therefore preempted.⁶¹⁷ The court's holding was based on its findings that plaintiff's claims of unfair competition were based on its allegations of the actions constituting copyright infringement and that plaintiff had not alleged any additional conduct on the part of defendants.⁶¹⁸ Specifically, plaintiff had alleged that defendants infringed its copyright for the purpose of competing unfairly with plaintiff; the court, however, pointed out that plaintiff had not specifically alleged any unethical or immoral conduct beyond that implicit in willfully infringing plaintiff's copyright, so the misconduct at issue was defendants' unauthorized reproduction of plaintiff's works, "which is the type of conduct the copyright laws are specifically designed to guard against."⁶¹⁹ Plaintiff also alleged that defendants' conduct was likely to cause consumer confusion.⁶²⁰ Again, the court found that plaintiff had not alleged that defendants affirmatively attempted to pass off their design as that of plaintiff, noting that "possible consumer confusion alone is not enough to avoid preemption" and that plaintiff "had alleged no acts of misrepresentation by defendant other than by an inference arising from the mere act of copying."⁶²¹

In summarizing its analysis, the court cited a District of Kansas holding that "if [defendants are] selling [defendants'] products and representing to the public that they are [defendants'] products, a claim by [plaintiff] that [defendants'] products replicate [plaintiff's] is a disguised copyright infringement claim and is preempted."⁶²²

***182** In *Kabehie v. Zoland*,⁶²³ plaintiff's production company contracted with defendant's production company to purchase the exclusive rights to four albums composed, arranged, and produced by defendant.⁶²⁴ Defendant breached the agreements by producing, duplicating, advertising, and selling the works covered by the agreements and by failing to deliver the master recordings subject to the agreement.⁶²⁵ Plaintiff filed suit in California state court against defendant, alleging breach of contract, rescission, interference of economic relations, and fraud.⁶²⁶ Defendant then filed a motion for judgment on the pleadings on the grounds of preemption by the Copyright Act.⁶²⁷ The trial court dismissed the complaint, and plaintiff appealed.⁶²⁸

The court first considered "whether a breach of contract action includes an extra element making it quantitatively different from a copyright infringement action" and cited two different approaches taken by the courts in making such a determination.⁶²⁹ The minority of courts take the position that in a breach of contract action, the existence of a promise satisfies the extra element test and avoids preemption.⁶³⁰ The majority of courts take the approach of applying a fact-specific analysis of the particular promise alleged to have been breached and the particular right alleged to have been violated.⁶³¹ Adopting the majority view, the court proceeded to consider each of plaintiff's causes of action and found some to be preempted and others not.⁶³²

In five causes of action, plaintiff alleged that defendant had breached the agreements by “producing, duplicating, selling, advertising and otherwise marketing and distributing such musical materials and copies thereof in various forms, by claiming ownership of and otherwise interfering with [plaintiff’s] property rights in such musical materials.”⁶³³ The court found that these causes of action were ***183** equivalent to the reproduction and distribution rights protected by copyright law.⁶³⁴ Thus, no extra element existed, and the causes of action were preempted.⁶³⁵

Another cause of action alleged that defendant breached an agreement by failing to deliver the master recordings as required.⁶³⁶ The court held that such failure was an extra element separate from a copyright infringement claim and that this cause of action thus was not preempted.⁶³⁷

Plaintiff also alleged that defendant committed fraud when it represented that it owned the rights, titles, and interests to the works at issue, promised to transfer such rights to plaintiff, and promised not to duplicate or sell the works in any form.⁶³⁸ The court found that defendant did not in fact own the rights, titles, and interests to the works and did not intend to transfer the rights to plaintiff; instead, it intended to reproduce and sell the music in various forms.⁶³⁹ Noting that this cause of action included multiple extra elements, the court held that it was not preempted.⁶⁴⁰

Plaintiff also included causes of action for “money had and received and an accounting attempt to recover proceeds from [defendant’s] unauthorized reproduction and distribution of the works.”⁶⁴¹ The court found that these causes of action were not qualitatively different from a copyright infringement claim and thus were preempted.⁶⁴²

Finally, the court held that plaintiff’s causes of action for intentional interference with obligation of contract, intentional interference with economic relations, and negligent interference with the prospective economic advantage were also preempted.⁶⁴³ The court explained that the interfering conduct was “simply the reproduction and distribution of the musical materials covered by the written agreements.”⁶⁴⁴

***184** In *Bowers v. Baystate Technologies Inc.*,⁶⁴⁵ defendant software designer counter-sued plaintiff for patent infringement, copyright infringement, and breach of contract, based on plaintiff’s reverse engineering of a piece of software authored by defendant.⁶⁴⁶ The jury found for defendant on all charges, but the district court set aside the copyright damages as being duplicative of the contract damages.⁶⁴⁷ Plaintiff then appealed the district court’s denial of its motions for judgment as a matter of law on all claims.⁶⁴⁸ Defendant appealed the district court’s denial of copyright damages.⁶⁴⁹

Plaintiff argued that the Copyright Act preempted the prohibition of reverse engineering that was contained in plaintiff’s shrink-wrap licenses.⁶⁵⁰ The Federal Circuit noted that the First Circuit had not expressly addressed whether the Copyright Act preempted a state law contract claim that restricted copying.⁶⁵¹ The court thus turned to a First Circuit case involving the misappropriation of software containing trade secrets.⁶⁵² In that case, defendant had obtained software from plaintiff’s customers and former employees, all of whom were bound by confidentiality agreements to refrain from disclosing the software.⁶⁵³ Defendant argued that the Copyright Act preempted plaintiff’s trade secret claim.⁶⁵⁴ Holding that the Copyright Act did not preempt the claim, the First Circuit found that the additional elements of the state law claim requiring proof of a trade secret and breach of a duty of confidentiality made the trade secret claim qualitatively different from a copyright claim.⁶⁵⁵ The First Circuit went on to note that claims might be preempted if the extra elements are “mere labels attached to the same odious business conduct.”⁶⁵⁶ The Federal Circuit stated that the First Circuit’s rationale led to a judgment that the contract claim in *Bowers* was not preempted by the Copyright Act and cited ***185** other cases outside of the First Circuit, holding that the Copyright Act does not preempt contractual restraints on copyrighted works.⁶⁵⁷

In *Tannenbaum v. Corbis Sygma*,⁶⁵⁸ plaintiff photographer sued defendant, a stock photography agency, alleging that defendant had licensed use of his work without authorization.⁶⁵⁹ Plaintiff had filed in New York State Supreme Court, defendant removed to federal court, and plaintiff sought to remand back to state court.⁶⁶⁰ Defendant argued that the U. S. District Court had jurisdiction because two of plaintiff’s causes of action came within the scope of the Copyright Act.⁶⁶¹ The first cause of action on which defendant based its claim alleged that defendant’s licensing of plaintiff’s work was unauthorized.⁶⁶² The second claimed that plaintiff was entitled to enjoin defendant from “sales, transfers, assignments, or licensing.”⁶⁶³

Plaintiff was an award-winning, well-known professional photographer.⁶⁶⁴ In 1982, defendant had become plaintiff’s exclusive agent for licensing the use of his images to third parties, pursuant to an oral agreement.⁶⁶⁵ Defendant terminated the relationship in January 2001.⁶⁶⁶ Plaintiff claimed that, despite the termination, defendant continued to procure licensing

agreements for plaintiff's work in violation of plaintiff's legal rights.⁶⁶⁷

The court found that the requested injunction, which would prohibit defendant from "any and all future sales, transfers, assignments or licensing," sought to broadly prohibit defendant from violating any of plaintiff's rights under section 106 of the Copyright Act.⁶⁶⁸ Noting that plaintiff did not refer to the terms of the contract in its claim, the court held that plaintiff's claim "simply seeks to prevent unauthorized use of his photographs" and did not include any "special rights, duties or *186 restrictions that apply by reason of the contract."⁶⁶⁹ Thus, the court held that no extra element was present and the state cause of action was pre-empted, therefore denying plaintiff's motion to remand to state court.⁶⁷⁰

D. Independent Creation

Plaintiff in *Calhoun v. Lillenas Publishing*⁶⁷¹ accused defendants of copyright infringement of one of his songs.⁶⁷² The Eleventh Circuit affirmed the district court's grant of summary judgment in favor of defendant, basing its conclusion on the premise that plaintiff's copyright claims should be barred by defendants' claim of independent creation.⁶⁷³

The Eleventh Circuit found that "even a casual comparison of the two compositions compels the conclusion that the two compositions are practically identical."⁶⁷⁴ The court went on to state that "[g]iven the limited number of musical notes . . . the combination of those notes and their phrasing, it is not surprising that a simple composition of a short length might well be susceptible to original creation by more than one composer."⁶⁷⁵ Noting that once defendant offers evidence of independent creation, plaintiff has the burden of proving that defendant in fact copied the work at issue, the court then reviewed the evidence on the issues of both independent creation and copying.⁶⁷⁶

The appellate court upheld the district court's conclusion that "[defendant's] testimony constitutes uncontradicted evidence of independent creation, which fully negates any claim of infringement."⁶⁷⁷ The court cited defendant's statement in an affidavit that he independently created the work without the use of any preexisting material, as well as affidavits of several witnesses who corroborated the independent creation during a church service.⁶⁷⁸ Finally, the court noted that plaintiff did not offer any evidence to contradict defendant's testimony.⁶⁷⁹

*187 The Eleventh Circuit concluded that no genuine issue of material fact existed regarding whether defendant had independently created its song and that plaintiff's claims of infringement should be barred by defendant's bona fide claim of independent creation.⁶⁸⁰

E. De Minimis Copying

In *Bridgeport Music Inc. v. Dimension Films LLC*,⁶⁸¹ plaintiff music companies sued defendant film companies for copyright infringement based on the use of portions of two songs in a film.⁶⁸² Defendants argued, *inter alia*, that the portions of the songs used were de minimis and therefore not subject to the protection of copyright laws.⁶⁸³

The court began by stating that the de minimis analysis is a derivation of the substantial similarity analysis.⁶⁸⁴ Therefore, the question was whether a lay observer would recognize the allegedly infringing work as having appropriated from plaintiffs' work.⁶⁸⁵ The court then noted that other courts that had addressed the issue of de minimis copying in the context of digital sampling had focused on "whether the defendant appropriated, either quantitatively or qualitatively, 'constituent elements of the work that are original.'"⁶⁸⁶ The court also found that Professor Nimmer's "fragmented literal similarity" analysis, which looks at whether the similarity relates to matter that constitutes a substantial portion of the plaintiff's work - not whether the material constitutes a substantial part of defendant's work - had also been applied in at least one case.⁶⁸⁷ Using either approach, the court held that the sampling at issue did not rise to the level of infringement.⁶⁸⁸

Defendants argued that the copied chord was neither "quantitatively nor qualitatively significant to the plaintiffs' copyright interest" in the song.⁶⁸⁹ The portion of the songs used was a two-second portion of a chord that was then looped fourteen to sixteen times and that appeared at five separate points in defendants' *188 song.⁶⁹⁰ Each looped segment was approximately seven to eight seconds long.⁶⁹¹ The total length of all the copied segments was, at most, forty seconds.⁶⁹² The total running time of defendants' song was approximately four and one-half minutes.⁶⁹³ The court found that defendants' quantitative use of plaintiffs' work was "a mere fraction of the whole" of plaintiffs' work, although it constituted a more significant portion within defendants' work.⁶⁹⁴

Moving to the issue of qualitative analysis, the court found that the copied portion would not be recognizable to the lay observer as having been taken from plaintiffs' work.⁶⁹⁵ First, the court noted that the looped segment was used in defendants' work to evoke the sound of police sirens and functioned as a background element.⁶⁹⁶ The segment had been slowed down from the tempo in the original, and the pitch had been lowered; the effect was to "create tension and apprehension" in a song about innocent men being wrongfully pursued by law enforcement.⁶⁹⁷ In comparison, plaintiffs' was a "celebratory song" about dancing, characterized by a strong dance beat, the only lyrics of which were "two expletives followed by 'Get off your ass and jam.'"⁶⁹⁸ In sum, the court stated, "there are no similarities in mood or tone."⁶⁹⁹ The court thus granted defendant's motion for summary judgment.⁷⁰⁰

VII. Remedies

A. Damages

Plaintiff in *Associated Residential Design LLC v. Molotky*⁷⁰¹ was an architectural firm that had prepared a set of architectural drawings for a developer who then *189 used the drawings to construct at least one home.⁷⁰² Defendants obtained a set of the drawings and used them as a basis for designing their own home.⁷⁰³ Plaintiff charged defendants with copyright infringement of its plans.⁷⁰⁴ Defendants moved for partial summary judgment regarding the measure of recovery, contending that section 504(b) of the Copyright Act requires the infringing item to be sold before a prevailing copyright owner can collect the infringer's profits.⁷⁰⁵ Defendants argued that because they had not sold the home at issue, profits were not available, even if plaintiff were to win its infringement claim.⁷⁰⁶ Plaintiff, however, asserted that section 504(b) permits the recovery of profits "where the infringer has benefited from the infringement."⁷⁰⁷ Plaintiff argued that defendants had benefited to the extent measured by the value of their home minus the cost of construction.⁷⁰⁸

The court began by providing a basic interpretation of section 504 of the Copyright Act, noting that although recovery is available for both damages and the infringer's profits, double recovery is prohibited.⁷⁰⁹ The court then discussed a Ninth Circuit decision regarding the appropriate measure of actual damages in a copyright infringement action regarding architectural plans.⁷¹⁰ The Ninth Circuit held the appropriate measure to be "the lost fair market value of the plans, measured by what a willing buyer would have been reasonably required to pay a willing seller for plaintiff's work."⁷¹¹ This measure of actual damages was not disputed by either party in *Molotky*; rather, the issue before the court was determining the exact meaning of the term "profits" as used in section 504(b).⁷¹²

Section 504(b) states that a copyright owner is entitled to recover actual damages and "any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages."⁷¹³ The court explained that both direct profits - "those that are generated by selling an infringing *190 product" - and indirect profits - those involving "revenue that has a more attenuated nexus to the infringement" - are recoverable under section 504(b).⁷¹⁴ The court noted that because profits must be "attributable to the infringement," claims for indirect profits are frequently unsuccessful.⁷¹⁵ The court went on to state that the Ninth Circuit has limited the recovery of direct profits to those that are "non-speculative and directly attributable to the infringement;" in other words, the plaintiff must show that "the infringing acts had an effect on profits."⁷¹⁶

The court further cited the House Judiciary Committee's Report on the Copyright Act differentiating the purposes of damages and profits by noting that the purpose of damages is to compensate the copyright owner for losses due to the infringement, while the purpose of profits is to prevent the infringer from unfairly benefiting from a wrongful act.⁷¹⁷ Noting that "to find that the [defendants] have not benefited from building their home simply because they have not sold it would seem contrary to the intent expressed by Congress," the court found that plaintiff may have been entitled to an award of damages should it succeed on its copyright infringement claim.⁷¹⁸

Plaintiff in *Graduate Management Admission Council v. RVR Narasimha RAJU*⁷¹⁹ was the nonprofit corporation that develops and owns all rights in the Graduate Management Admission Test ("GMAT"), the standardized test taken annually by approximately 1,700 applicants to business school programs.⁷²⁰ Defendant operated a web site through which it advertised and sold GMAT test questions to students preparing to take the GMAT.⁷²¹ Plaintiff sued defendant for, inter alia, copyright infringement of its test questions.⁷²² A default judgment was issued after defendant failed to respond or enter an appearance.⁷²³ Accepting the report and recommendation of a federal magistrate judge, the court held defendant's copying to be a willful infringement of plaintiff's copyrights.⁷²⁴

***191** The court then moved on to consider statutory damages.⁷²⁵ The plaintiff sought maximum statutory damages for each of the twenty-two test forms copied by defendant, in an effort to preserve the integrity of the GMAT testing process and to deter similar infringements by other actors.⁷²⁶ Noting that “[s]tatutory damages are intended not merely for the restitution of profit or reparation of injury, but to deter wrongful conduct,” the court awarded the maximum amount of statutory damages for a total of \$3,300,000.⁷²⁷

Plaintiff in *GMA Accessories, Inc. v. Megatoys, Inc.*⁷²⁸ accused defendant of intentional infringement of plaintiff’s designs in three children’s dolls.⁷²⁹ The court awarded plaintiff a default judgment when defendant failed to respond to plaintiff’s claim, make an appearance, or contact the court in any other way.⁷³⁰ The case was then referred to a magistrate to consider and make recommendations on the damages to be awarded to plaintiff.⁷³¹ Because the infringement was willful, plaintiff sought maximum damages of \$150,000 per work, for a total of \$450,000.⁷³² The magistrate concluded that an award of approximately \$133,000, the amount equal to twice defendant’s revenue from the infringing products, was appropriate.⁷³³ The court noted the “relatively modest” volume of defendant’s sales and that awarding the maximum damages permissible would result in a judgment of approximately seven times defendant’s gross revenues.⁷³⁴ “Damages in the amount of twice [defendant’s] revenues are clearly sufficient to compensate [plaintiff], punish [defendant], and deter [defendant] and other would-be infringers from any similar conduct in the future.”⁷³⁵

B. Attorneys’ Fees

*Elements/Jill Schwartz, Inc. v. Gloriosa Co.*⁷³⁶ addressed defendants’ motion for an award of attorneys’ fees and costs in a previous action regarding, inter alia, ***192** allegations of copyright infringement, in which the claim was dismissed with prejudice.⁷³⁷ In *Fogerty* the U.S. Supreme Court articulated non-exclusive factors to be considered by a court in determining whether to award costs and attorneys’ fees under section 505 of the Copyright Act: “Frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.”⁷³⁸

The *Elements* court stated that even though the copyright claim was eventually dismissed, plaintiff’s actions in pursuing the claim prior to dismissal constituted sufficient frivolity and bad faith to establish plaintiff’s liability for defendants’ attorneys’ fees and costs.⁷³⁹

In support of its holding, the court cited multiple actions by plaintiff during the twenty-one months of correspondence between parties, including threatened litigation and actual litigation.⁷⁴⁰ After plaintiff sent its first cease-and-desist letter, the parties corresponded for more than a year and a half prior to filing of the lawsuit.⁷⁴¹ Defendants’ counsel repeatedly asked plaintiff for identification of the basis of its copyright claims, but it took plaintiff eighteen months to supply copies of eighty-six copyright registrations.⁷⁴² Plaintiff, however, did not supply copies of the deposit material or articulate any connections between works created by defendants and those copyrighted works belonging to plaintiff.⁷⁴³ Rather, plaintiff generally asserted that defendants’ works violated plaintiff’s copyrights by incorporating substantially similar design elements.⁷⁴⁴

Likewise, when plaintiff filed suit, its complaint listed seventy-three copyright registrations, but it did not provide deposit material or identify which of defendants’ works infringed which of plaintiff’s copyrights.⁷⁴⁵ Throughout the process, plaintiff repeatedly suggested that defendants compare the catalogues of the two parties themselves for proof of infringement, but without pointing to any specific ***193** works.⁷⁴⁶ The court noted that, at one point, when defendants requested further clarification, plaintiff responded by stating that “[f]urther itemization is not necessary.”⁷⁴⁷

Specifically, the court stated that an allegation that “a particular Item A copies Item B” is a “necessary predicate to any evaluation of whether there was actual copying and substantial similarity with an aspect of [plaintiff’s work] that was entitled to protection under copyright law.”⁷⁴⁸ The court went on to state that plaintiff’s reluctance, refusal or inability to state the most basic element of a prima facie case for copyright infringement is compelling circumstantial evidence that the claim was objectively unreasonable and also that it was brought in bad faith. This was not an example of an intellectual property owner vigorously protecting itself, but bad faith conduct that did not adequately put defendants on notice of plaintiff’s claims.⁷⁴⁹

The court thus granted defendants' motion for attorneys' fees and costs.⁷⁵⁰

The district court in *Bond v. Blume*⁷⁵¹ awarded attorneys' fees to the individual defendants but not to the law firm defendants, because the latter were representing themselves pro se.⁷⁵² On appeal, plaintiff argued that "his rights should not be chilled" by assessing attorneys' fees because he was simply trying to protect his rights under the Copyright Act.⁷⁵³

In considering plaintiff's argument, the Fourth Circuit referred to the four factors articulated in an earlier Fourth Circuit case that should be considered when determining whether to award attorneys' fees under section 505:

1. [T]he motivation of the parties,
2. [T]he objective reasonableness of the legal and factual positions advanced,
3. [T]he need in particular circumstances to advance considerations of compensation and deterrence, and

*194 4. [A]ny other relevant factor presented.⁷⁵⁴

The court agreed with the district court's findings in its application of these factors.⁷⁵⁵ On the first factor, the district court found that plaintiff had "misused the Copyright Act and that he was motivated by a desire to suppress the underlying facts of his copyrighted work rather than to safeguard its creative expression."⁷⁵⁶ On the second factor, the district court noted that although frivolousness is not essential to an award of attorneys' fees, plaintiff's position was indeed frivolous, and it was unreasonable for plaintiff to use the copyright infringement claim as an attempt to prevent introduction of facts.⁷⁵⁷ Regarding the third factor, the court found that plaintiff "should be deterred from bringing meritless actions."⁷⁵⁸

The district court had declined to award attorneys' fees to the law firm defendants because it concluded that the firms were acting pro se and that precedence prohibited it from awarding attorneys' fees to a pro se party.⁷⁵⁹ On appeal, the law firms argued that they were not acting pro se, rather they were "legal entities represented by attorneys," notwithstanding the fact that the attorneys came from within the firm.⁷⁶⁰ Noting that this was an issue of first impression in the Fourth Circuit, the court stated that the precedence on which the district court had relied does not apply in situations where entities represent themselves through in-house or pro bono counsel.⁷⁶¹ The court cited a U.S. Supreme Court decision in a civil rights action that focused on the existence of an attorney-client relationship in distinguishing between a pro se litigant and an organization represented by counsel, whether it is in-house or pro bono.⁷⁶² The *Bond* court then went on to state that, "[w]hen a member of an entity who is also an attorney represents the entity, he is in an attorney-client relationship with the entity and, even though interested in the affairs of the entity, he would not be so emotionally involved in the issues of the case so as to distort the rationality and competence that comes from independent representation." *195⁷⁶³ Thus, the court remanded the case to the district court to award attorneys' fees under section 505, if it so determined in its discretion.⁷⁶⁴

C. Injunctive Relief

In *In re Aimster Litig.*,⁷⁶⁵ the Seventh Circuit considered the issue of whether there was a sufficient basis for issuing a preliminary injunction, noting that the fact that the RIAA was likely to prevail in court was not alone sufficient to support the issuance of a preliminary injunction; rather, a court must "consider which party will suffer the greater harm as a result of a ruling for or against issuance."⁷⁶⁶ Noting that the only harm relevant to the decision to grant a preliminary injunction is irreparable harm, the court found that the RIAA's harm would undoubtedly be irreparable.⁷⁶⁷ In contrast, Aimster's irreparable harm, if any, would be less, due to the RIAA's posting of an injunction bond of \$500,000 and Aimster's lack of contention that such was inadequate.⁷⁶⁸ The court also held that Aimster waived its objection to the injunction's breadth due to its failure to suggest alternative language in either court.⁷⁶⁹

VIII. Copyright in the Cyberworld

A. Digital Millennium Copyright Act

Because the Digital Millennium Copyright Act ("DMCA") is rather complex, and its interpretation continues to present new issues for the courts, a brief overview of the provisions addressed in the following cases may be valuable.

Section 1201 was added to the Copyright Act to protect against the circumvention of copyright protection technology.⁷⁷⁰ Although some notorious cases have been pursued previously under section 1201, the past year provided another interesting application in *Lexmark International, Inc. v Static Control Components, Inc.*,⁷⁷¹ as discussed below. Section 1201(a) prohibits anyone from “circumvent[ing] a technological measure that effectively controls access to a work protected *196 under” the Copyright Act and from manufacturing, importing, offering to the public, providing, or otherwise trafficking in any technology that “is primarily designed” for circumvention purposes or that has “only limited commercially significant purpose or use” other than circumvention or that is marketed with the knowledge for circumvention use.⁷⁷² Section 1201 provides several exceptions, including exempting individuals who have “lawfully obtained the right to use a copy of a computer program” and who circumvent controls “for the sole purpose of identifying and analyzing those elements . . . necessary to achieve interoperability of an independently created computer program with other programs.”⁷⁷³

The DMCA also created section 512 in the Copyright Act,⁷⁷⁴ which created four safe harbors for Internet service providers (“ISPs”) designed to limit the liability of ISPs for acts of copyright infringement by users if the ISPs meet certain conditions.⁷⁷⁵ Under all four safe harbors, an ISP must have “adopted and reasonably implemented” a policy that provides for the termination of accounts of “repeat infringers” and “accommodates and does not interfere with” copyright protection technology.⁷⁷⁶ Each safe harbor has its own additional eligibility requirements.⁷⁷⁷

Section 512(a) shields an ISP from liability for “transmitting, routing, or providing connections for, material through a system or network . . . or . . . intermediate and transient storage of that material in the course of such transmitting, routing, or providing connections.”⁷⁷⁸ To be eligible, the transmission must be at the initiation of someone other than the ISP; the transmission, routing, or storage must be conducted via “an automatic technical process without selection of the material” by the ISP; the ISP must not select the recipients; the ISP must not retain a copy of the material beyond that necessary for the transmission; and the ISP must not modify the material transmitted.⁷⁷⁹

Section 512(b) protects an ISP from liability for caching, so long as the material is made available and transmitted by someone other than the ISP; the caching is carried out through an automatic process; the material is not modified by the ISP; the ISP complies with generally accepted standards regarding refreshing, reloading, and the like; certain technological conditions are met; and the ISP “respond[s] expeditiously *197 to remove, or disable access to, [any] material that is claimed to be infringing upon notification of the claimed infringement as described in subsection (c)(3).”⁷⁸⁰

Subsection (c) addresses the storage of material on the ISP’s system or network at the direction of a user. To take advantage of this safe harbor, the ISP must not have actual or constructive knowledge that the material is infringing; the ISP must act expeditiously to remove such material upon obtaining such knowledge or upon receipt of notification of claimed infringement; the ISP must not receive a financial benefit directly attributable to the storage of infringing material; and the ISP should designate an agent to receive notification of claimed infringements.⁷⁸¹ The Act provides detailed requirements for designating an agent, as well as for the elements that must be present in a notification of infringement in order for it to be effective.⁷⁸²

Finally, subsection (d) shields an ISP from liability for “referring or linking” users to sites containing infringing information or for using “information location tools,” including hyperlinks, to do so.⁷⁸³ Essentially, the ISP must meet the same requirements that are required under section 512(c) to receive protection under section 512(d).⁷⁸⁴

Section 512(h) was the center of dispute in *In re Verizon Internet Services Inc.*,⁷⁸⁵ discussed below. Under subsection (h), a copyright owner may obtain a subpoena requiring an ISP to “expeditiously disclose . . . information sufficient to identify the alleged infringer . . . to the extent such information is available to” the ISP.⁷⁸⁶ Subsection (h)(2) details the required contents of the request for a subpoena, including “a sworn declaration to the effect that the purpose for which the subpoena is sought is to obtain the identity of an alleged infringer and that such information will only be used for the purpose of protecting rights under this title.”⁷⁸⁷ The request for subpoena shall be granted if, in addition to proper form and execution, the notification to the ISP satisfies the detailed provisions outlined in subsection (c)(3)(A).⁷⁸⁸

*198 Plaintiff in *Lexmark International, Inc. v Static Control Components, Inc.*⁷⁸⁹ manufactured printers and printer supplies, including toner cartridges.⁷⁹⁰ The toner cartridges for two of its printers, the T520/522 and the T620/622, contained microchips with computer programs that controlled certain printing and toner functions, including the “Toner Loading Program” and the “Printer Engine Program.”⁷⁹¹ To prevent unauthorized toner cartridges from being used with plaintiff’s T-Series printers and to protect the programs resident on the chips, plaintiff used an authentication sequence that ran each

time a toner cartridge was inserted into a Lexmark printer.⁷⁹² Defendant manufactured and sold components for use in the remanufacturing of toner cartridges for plaintiff's T-Series printers, including the SMARTEK microchip, which was used to replace the microchip found on plaintiff's toner cartridges.⁷⁹³ Plaintiff sold toner cartridges that could be refilled by anyone at one price, but also had a "prebate" program under which it sold cartridges at a lower price in exchange for the buyer's commitment to send empty cartridges back to plaintiff to be refilled.⁷⁹⁴ Plaintiff alleged that defendant's SMARTEK chip allowed users to buy plaintiff's cartridges at the "prebate" price and reuse them without having to send them back to plaintiff. Plaintiff argued that defendant thereby violated the DMCA anti-circumvention provisions in that the SMARTEK chip circumvented technological measures used by plaintiff to protect the Toner Loading Program and the Printer Engine Program resident on its chip. Plaintiff also accused defendant of infringing the copyright in the two computer programs.⁷⁹⁵

Defendant admitted having copied plaintiff's programs but argued that such copying was a fair use because it was necessary for defendant's ability to "explore the operation of" plaintiff's chips.⁷⁹⁶ The court rejected defendant's argument, finding that its use was clearly for a commercial purpose; defendant copied the works in their entirety; and since a verbatim copy of the works had been made with the intent of commercial gain, a likelihood of significant market harm was presumed.⁷⁹⁷

*199 Defendant also argued that plaintiff was misusing its copyrights in an attempt to extend its limited copyright monopoly beyond that allowed under the Copyright Act.⁷⁹⁸ To establish copyright misuse, the court stated, a defendant must establish that plaintiff has either violated anti-trust laws or "illegally extended its monopoly beyond the scope of the copyright or violated the public policies underlying the copyright laws."⁷⁹⁹ The court found that defendant had presented no evidence or legal basis for showing an existence of an anti-trust violation by plaintiff.⁸⁰⁰ The court also rejected defendant's argument that plaintiff was using its copyright to extend its monopoly in violation of copyright law, stating that "Lexmark is simply attempting to enforce, and protect access to, its copyrighted computer programs. Lexmark's copyright infringement claim against a party that has engaged in the wholesale copying of Lexmark's copyrighted computer programs cannot be considered misuse."⁸⁰¹

The court then moved on to its analysis of plaintiff's DMCA claims. To succeed on its anti-circumvention claims, plaintiff had to show that the device at issue was primarily designed to circumvent a technological measure that protected access to a copyrighted work, that the device had only a limited purpose other than circumvention, and that the device was marketed with knowledge of its use for circumvention purposes.⁸⁰² Holding that plaintiff succeeded in showing a likelihood of success on its DMCA claims, the court first pointed to defendant's admission that the SMARTEK chip by-passed plaintiff's authentication sequence and that defendant had specifically developed the chips to circumvent the authentication sequence that controlled access to plaintiff's copyrighted programs.⁸⁰³ Regarding the test for liability, defendant acknowledged that its chips had no commercial purpose other than to circumvent the authentication sequence.⁸⁰⁴ Finally, the SMARTEK chips also satisfied the third test, since defendant marketed the chips as being capable of circumventing plaintiff's access control protections.⁸⁰⁵

The court rejected defendant's argument that application of the DMCA to the SMARTEK chips would extend the scope of the DMCA beyond that intended by Congress and that the DMCA was intended only to protect copyrighted works from *200 digital piracy.⁸⁰⁶ The court stated that "[t]he DMCA is clear that the right to protect against unauthorized access is a right separate and distinct from the right to protect against violations of exclusive copyright rights such as reproduction and distribution" by prohibiting "trafficking in devices that circumvent measures that 'effectively protect [the rights of a copyright owner]' . . . and devices that circumvent measures that 'effectively control access to a [copyrighted] work . . .'"⁸⁰⁷ The court also noted that the sparse case law on the issue was in agreement with its holding.⁸⁰⁸ The court rejected defendant's argument that the reverse engineering exemption under section 1201(f) applied, noting that defendant's program did not meet the requirement that it be "solely for the purpose of enabling interoperability of an independently created computer program . . . to the extent that doing so does not constitute infringement."⁸⁰⁹ Rather, the SMARTEK chips served no legitimate purpose other than to circumvent plaintiff's authentication sequence and could not qualify as independently created because they were exact copies of plaintiff's software programs.⁸¹⁰

Thus, the court granted plaintiff's preliminary injunction barring defendant from "making, selling, distributing, offering for sale or otherwise trafficking in the 'SMARTEK' microchips for the Lexmark 520/522 and 620/622 toner cartridges."⁸¹¹

In July 2002, the Recording Industry Association of America ("RIAA") served a subpoena on Verizon Internet Services pursuant to the subpoena provision of the DMCA, codified in section 512(h) of the Copyright Act, seeking the identity of a Verizon user whom the RIAA alleged had infringed copyrights in more than six hundred songs that the user downloaded in one day. Arguing that the subpoena fell outside of the scope of the DMCA provision, Verizon refused to identify the user.

The RIAA then moved to enforce the subpoena.⁸¹² Noting that the case was one of first impression, the D.C. District Court held that the subpoena provision applies to all ISPs within the scope of the DMCA, granted the RIAA's motion to enforce, and ordered Verizon to comply with the subpoena.⁸¹³

***201** Section 512(h), a "novel provision" according to the court, permits a copyright owner to obtain and serve a subpoena on an ISP for the purpose of obtaining the identity of a user that the copyright owner believes to be infringing his rights.⁸¹⁴ Through its subpoena, the RIAA sought the identification of an anonymous alleged copyright infringer who used Verizon's network to download songs through KaZaA, a peer-to-peer file sharing network.⁸¹⁵ The RIAA also provided a list of more than six hundred files that it alleged the user downloaded in a single day; detailed information about the downloads such as the time and date; the Internet protocol address of the user; and, as required under section 512, a declaration under penalty of perjury that the information was sought in good faith and would be used only in connection with "protecting" the rights of RIAA members.⁸¹⁶ The RIAA also required that Verizon "remove or disable access to the infringing sound files."⁸¹⁷

Verizon refused to comply with the subpoena, arguing that the DMCA subpoena provision applies only if the infringed material is stored or controlled on the ISP's system or network under subsection (c) of section 512.⁸¹⁸ Verizon stated that the allegedly infringing material actually resided on the hardware of the user.⁸¹⁹ In addition, Verizon argued that a subpoena under section 512 is "conditioned" on the notification provisions of subsection (c).⁸²⁰ Verizon argued that because it provided the allegedly infringing user only with an Internet connection and did not store the allegedly infringing materials, it fell under subsection (a) rather than subsection (c) and was outside the subpoena authority of subsection (h).⁸²¹ The RIAA responded that the subpoena provision applies to all ISPs within all of the four safe harbors as delineated in subsections (a) through (d).⁸²²

The court noted that the term "service provider" is used repeatedly in subsection (h); thus, the question before the court was whether the term "service provider," as used in subsection (h), is limited to only one of the safe harbors, namely that provided by subsection (c).⁸²³

***202** The court began its analysis by considering the language of the statute. The court looked to the definition of "service provider" in section 512(k)(1):

(A) As used in subsection (a), the term "service provider" means an entity offering the transmission, routing, or providing of connections for digital online communications, between or among points specified by a user, of material of the user's choosing, without modification to the content of the material as sent or received.

(B) As used in this section, other than subsection (a), the term "service provider" means a provider of online services or network access, or the operator of facilities therefore, and includes an entity described in subparagraph (A).⁸²⁴

The court found that the statutory definition of "service provider" "leaves no doubt, therefore, that the subpoena power in subsection (h) applies to all service providers, regardless of the functions a service provider may perform under the four categories set out in subsections (a) through (d)."⁸²⁵ Specifically, the court noted that the definition of "service provider" applicable to the subpoena power clearly includes entities such as Verizon that are "providing . . . connections for digital online communications."⁸²⁶

The court then turned to the structure of the DMCA. Verizon argued that notification to the ISP complying with subsection (c) is an essential condition for obtaining a valid subpoena under subsection (h).⁸²⁷ Thus, according to Verizon, "it is implicit that a subpoena may only be issued to service providers described in subsection (c)," that is, ISPs who have stored infringing material on their own systems.⁸²⁸ Verizon argued that subsection (a), which addresses ISPs acting as passive transmitters, contained no provision for notification and that the RIAA's subpoena was thus invalid because Verizon was not storing the infringing material on its system or network and thus did not need to comply with the notification requirement of subsection (c).⁸²⁹ The court rejected Verizon's "strained reading," which it stated entirely disregarded "clear definitional language of subsection (k)."⁸³⁰

Verizon next argued that the language of the statute infers that the subpoena power in subsection (h) applies only to subsection (c) because of the reference in ***203** subsection (h) to the notification requirement of subsection (c).⁸³¹ The court, however, found that the reference did not limit subsection (h) only to ISPs described in subsection (c).⁸³² The court pointed

out that the notification section in subsection (c) is also referenced elsewhere in section 512, including subsections (b) and (d), “confirm[ing] the expectation that notifications like that described in subsection (c)(3) will at times be needed in settings under subsection (b) and (d), and hence are not confined to subsection (c) settings.”⁸³³ The court then pointed to titles used in subsection (h), noting that the title of interest is “subpoena to identify infringer,” “not ‘subpoena to identify infringer storing copyrighted material on a service provider’s network,’ or ‘subpoena to identify infringer relating to subsection (c).’ If Congress intended to restrict or limit the subsection (h) subpoena authority based on where the infringing material resides, one would expect to see that limitation spelled out in subsection (h).”⁸³⁴

The court then considered subsection (h) in context with the rest of section 512, noting that given the four-part structure of the ISP safe harbors, subsections (a) through (d) together with the subpoena authority under subsection (h) only “make sense in combination” if construed so that the subpoena authority extends to service providers in all four categories. Otherwise, the statute would fail significantly to address many contexts in which a copyright owner needs to utilize the subpoena process in order to discern the identity of an apparent copyright infringer.⁸³⁵ The court also noted that although there may be some rationale to warrant the distinction between subsections (a) and (d) for purposes of liability protections, “there is no corresponding rationale for such distinctions regarding a subpoena power that entails merely identifying infringers.”⁸³⁶

Turning to legislative intent, the court found that “Verizon’s construction does not square with Congress’s express and repeated direction to make the subpoena process ‘expeditious.’”⁸³⁷ While the statute contemplated “a rapid subpoena process designed quickly to identify apparent infringers and then curtail the infringement,” the court noted that a copyright holder may not be able to readily determine whether its material was stored on a network or merely transmitted across an ISP’s system, and therefore, whether subsection (c) or subsection (a) was applicable. *204⁸³⁸ Thus, if a copyright owner could only utilize the subsection (h) subpoena power for subsection (c) ISPs, it would first have to establish that the ISP fell within subsection (c), which could create lengthy delays.⁸³⁹ The court noted that “such complication and delay hardly comports with the language peppered throughout subsection (h) indicating that the subpoena process should be ‘expeditious.’”⁸⁴⁰ Therefore, the court found that Verizon’s construction of section 512 made little sense from a policy standpoint.⁸⁴¹

The court summarized its analysis of the statutory language by saying that Verizon’s interpretation of the subpoena power “would create a huge loophole in Congress’s effort to prevent copyright infringement on the Internet,” noting that it found nothing in the language or the structure of section 512 suggesting that Congress intended the DMCA to protect only a limited portion of copyrighted material on the Internet.⁸⁴²

Addressing the legislative history of the DMCA, the court noted the Congressional intent to balance the liability safe harbors for ISPs with the need for broad protection of copyright on the Internet.⁸⁴³ The court pointed out that Congress had incorporated “trade-offs” within the DMCA such that ISPs would receive liability safe harbors in exchange for assisting copyright owners in identifying and dealing with infringers who misuse an ISP’s system or network, while copyright owners would not be able to pursue ISPs for the infringing activities of their users in exchange for such assistance from the ISPs.⁸⁴⁴ The court cited language from the Senate Report on the DMCA in support of this statement and also noted that Congress’s attempt to achieve a balance was motivated by the concern that if copyright owners were not able to protect copyrights on the Internet, they would be less likely to make their works available there.⁸⁴⁵

Verizon argued that its interpretation of the DMCA would not prevent copyright owners from protecting their rights online and that the RIAA could bring a “John Doe” action to obtain information identifying copyright infringers who transmitted infringing material over an ISP’s network.⁸⁴⁶ The court also rejected *205 this argument, noting that “there is absolutely nothing in the DMCA or its history to indicate that Congress contemplated copyright owners utilizing John Doe actions . . . rather than employing the subsection (h) process specifically designed by Congress to address that need,” pointing out that the burden on an ISP is no greater under a DMCA subpoena than a Rule 45 third-party subpoena.⁸⁴⁷ In contrast, however, the additional burden on copyright owners “would be considerable, given the effort and expense associated with pursuing such John Doe suits in court.”⁸⁴⁸ In addition to being more burdensome and less timely, John Doe actions are less protective of the rights of ISPs and Internet users in various ways than is the subsection (h) process, given the multiple requirements under subsection (h) that a copyright owner must fulfill before obtaining information from an ISP.⁸⁴⁹ The court noted that these protections are meant to insure that an ISP would not be forced to disclose a user’s identity without a reasonable showing that an infringement has occurred.⁸⁵⁰ Thus, the court concluded that Verizon’s argument that John Doe actions are an adequate alternative to the subsection (h) subpoena process was not convincing and noted that nothing in the DMCA suggested that Congress intended such.⁸⁵¹

Finally, the court addressed various potential constitutional challenges to the subsection (h) subpoena authority as identified in amici curiae, even though Verizon stated only that subsection (h) “raises substantial questions,” not that it is unconstitutional.⁸⁵² The court first stated that it is “clear that the First Amendment does not protect copyright infringement” and then moved on to the issue of free speech and privacy issues potentially associated with the anonymity of an Internet user.⁸⁵³ The court cited a U.S. Supreme Court holding that the purpose of protecting anonymous expression is to protect individuals who anonymously support causes or who fear retaliation, social ostracism, or unwanted intrusion into their privacy.⁸⁵⁴ Noting that “this is not a case where Verizon’s customer is anonymously using the Internet to distribute speeches of Lenin, Biblical passages, educational materials, or criticisms of the government,” the court found no evidence to suggest that downloading or transmitting the files at issue was in any way protected *206 expression.⁸⁵⁵ However, the court noted that because Verizon had not made a clear challenge based on the First Amendment and that the parties therefore had not fully briefed and developed the issue, it did not resolve the constitutional issues identified by Verizon and several of the amici curiae, but noted that “certainly the issues raised do not reveal an obviously fatal constitutional flaw in the subpoena process available under the DMCA.”⁸⁵⁶

Thus, the court concluded that subpoena authority in subsection (h) applies to all ISPs, including those falling within subsection (a); granted the RIAA’s motion to enforce its subpoena; and ordered Verizon to comply with the subpoena.⁸⁵⁷

Defendants in Aimster⁸⁵⁸ argued that they should be eligible for the limitations on liability under the various safe harbors of the DMCA.⁸⁵⁹ The district court noted that the safe harbors applied only “to ‘innocent’ service providers who can show that they do not have a defined level of knowledge regarding the infringement on their system” and that the safe harbor protection “disappears ‘at the moment the service provider loses its innocence, that is, at the moment it becomes aware that a third party is using its system to infringe.’”⁸⁶⁰ The court then addressed the two threshold issues to qualify for the DMCA safe harbors. First, “the potential defendant must meet the DMCA’s definition of ‘service provider.’ Second, the potential defendant must adopt and reasonably implement a policy which terminates the access of users who are identified as repeat infringers.”⁸⁶¹

Noting that the definition of “service provider” differs depending upon which safe harbor is at issue, the court found that a plain reading of both definitions is so broad that “we have trouble imagining the existence of an online service that would not fall under the definitions.”⁸⁶²

However, the court found that defendant had not met the second threshold requirement.⁸⁶³ Although defendants had posted a repeat infringer policy, provided a detailed form for an aggrieved copyright owner to fill out and submit, and explained its procedure for taking down or disabling access to infringing material, the *207 court found that defendants had not implemented its policy.⁸⁶⁴ Defendants argued that the encryption function made it impossible to implement the policy by preventing ascertaining which users were transferring which files.⁸⁶⁵ Defendants also complained that although plaintiff had identified many Aimster users who might have infringed plaintiffs’ rights, plaintiffs had not presented evidence identifying any particular users who had transferred the files at issue, stating that once plaintiffs had done so, “defendants will notify the primary internet service provider to terminate their access.”⁸⁶⁶ The court rejected defendants’ arguments, noting first that the repeat infringer language of the DMCA does not require the provision of the specificity of notice sought by defendants.⁸⁶⁷ Second, the court stated that defendants’ argument regarding encryption did not convince the court “when that scheme is voluntarily instituted by the [d]efendants themselves.”⁸⁶⁸ The court found that “adopting a repeat infringer policy and then purposely eviscerating any hope that such a policy could ever be carried out is not an ‘implementation’ as required by” the DMCA.⁸⁶⁹ Therefore, defendants failed to comply with the DMCA thresholds and were ineligible for any of the DMCA safe harbor protections.⁸⁷⁰

However, “for the sake of completeness,” the court analyzed the application of each of the relevant safe harbor provisions.⁸⁷¹

The “Transitory Communications Safe Harbor” states that a service provider shall not be liable for infringement by “reason of the provider’s transmitting, routing, or providing connections for, materials through a system or network controlled or operated by or for the service provider.”⁸⁷² Plaintiffs argued that this safe harbor did not apply because the infringing material was not routed or transmitted through the Aimster system.⁸⁷³ The court pointed to defendants’ statements that Aimster is a peer-to-peer service, noting that this means the information is transferred directly between individual users over the Internet and thus does not pass through Aimster’s system.⁸⁷⁴ Defendant argued that the word “through” should be broadly defined to *208 mean “by means of” or “by the help or agency of.”⁸⁷⁵ Pointing to legislative history indicating that the transitory communications safe harbor should be limited to situations in which the ISP plays the role of a “conduit” for information, the court found that Aimster did not serve as a mere conduit, noting that “the system provides broad search capabilities to its

users, allows for the automatic resumption of interrupted downloads, provides for easy, one-click downloading of the system's most popular titles, and offers editorial comment on popular titles.⁸⁷⁶

The "System Caching Safe Harbor" precludes liability for an ISP for copyright infringement "by reason of the intermediate and temporary storage of material on a system or network controlled or operated by or for the service provider."⁸⁷⁷ The court found that the defendant's reliance on this safe harbor was based on a "fundamental misunderstanding," under which "a service provider is cleansed of liability for infringing material whenever, during a transfer of material between its users, the material in question happens to be cached on the service provider's system."⁸⁷⁸ The court found such a reading to be "impossibly broad" and emphasized that the plain language of the safe harbor indicates that an ISP should not be held liable "when that liability results from the act of caching itself."⁸⁷⁹

The "Information Location Tools Safe Harbor" states that "a service provider should not be liable "by reason of the provider referring or linking users to an online location containing infringing material or infringing activity, by using information location tools, including a directory, index, reference, pointer, or hypertext link," provided that the ISP meets three other specified conditions.⁸⁸⁰ The court found that defendants failed to meet the specified conditions, namely: that an ISP cannot have actual knowledge of the infringing material or activity; that if the ISP does have actual or constructive knowledge, it must "act to expeditiously remove or disable access to the material"; and that an ISP cannot receive a financial benefit directly attributable to the infringing material.⁸⁸¹

On appeal, the Seventh Circuit only briefly addressed the district court's discussion of the applicability of the DMCA safe harbors. The court agreed that Aimster ***209** fit the definition of an ISP.⁸⁸² Noting that the DMCA "does not abolish contributory infringement," the Seventh Circuit stated that

[t]he common element of its safe harbors is that the service provider must do what it can reasonably be asked to do to prevent the use of its service by "repeat infringers." Far from doing anything to discourage repeat infringers of the plaintiffs' copyrights, Aimster invited them to do so, showed them how they could do so with ease using its system and by teaching its users how to encrypt their unlawful distribution of copyrighted materials, disabled itself from doing anything to prevent infringement.⁸⁸³

B. Hyperlinks

Pro se plaintiff in *Hammer v. Trendl*⁸⁸⁴ sought temporary restraining orders to prevent defendant from publishing unfavorable reviews of plaintiff's books on the Internet; to enjoin Amazon.com from removing plaintiff's book from its website; and to direct Amazon.com to remove defendant's unfavorable reviews from its website.⁸⁸⁵ Plaintiff alleged that defendant had "placed two illegal links to authors'/publishers' book Webpages on Amazon.com, illegally giving himself trespass rights to alter authors'/publishers' information at will."⁸⁸⁶ Holding this allegation to be insufficient to demonstrate copying, the court noted that hyperlinks are "merely the modality by which Amazon.com has enabled a website user to move from the book review webpage to the actual webpage where the book is offered for sale."⁸⁸⁷ Plaintiff offered no evidence that defendant actually copied plaintiff's works.⁸⁸⁸

IX. Legislation

A. Technology, Education, and Copyright Harmonization Act of 2002

The Technology, Education, and Copyright Harmonization Act of 2002 (the "TEACH Act"),⁸⁸⁹ signed into law on November 2, 2002, amends the Copyright Act to allow certain public performances and displays of works in the course of ***210** providing distance education.⁸⁹⁰ Although section 110(1) of the Copyright Act allows the performance or display of a work in the course of face-to-face teaching activities of a non-profit educational institution, until the TEACH Act was passed, such rights in the context of distance education were dramatically limited by section 110(2).⁸⁹¹ That section allowed the transmission of the performance only of a non-dramatic literary or musical work, or the display of a work, for "reception in classrooms or similar places normally devoted to instruction, or reception by persons to whom the transmission is directed because their disabilities or other special circumstances prevent their attendance in classrooms or similar places normally devoted to instruction," or to officers or employees of government bodies.⁸⁹² Thus, the section 110 exemption did not address the typical situation of modern distance education, in which the student is unlikely to be found in a "classroom or similar

place normally devoted to instruction.⁸⁹³ As distance education rapidly expanded, Congress directed the Copyright Office to prepare a report containing recommendations of changes necessary to accommodate the use of digital technologies in distance education.⁸⁹⁴ The Copyright Office submitted its report to Congress in 1999.⁸⁹⁵ The TEACH Act is based on the recommendations contained in that report and closely tracks those recommendations.⁸⁹⁶

The TEACH Act replaces the current section 110(2) and adds a new section 112(f).⁸⁹⁷ The new section 110(2) allows the performance of a non-dramatic literary or musical work, the performance of “reasonable and limited portions” of any work, and the display of a work “in an amount comparable to that which is typically displayed in the course of a live classroom session” by or in the course of a transmission under the following restrictions:

- The performance or display must be made by, at the direction of, or under the actual supervision of, an instructor

- as an integral part of a class session

***211** • offered as a regular part of the systematic mediated instructional activities of a governmental body or an accredited non-profit institution;

- The performance or display must be directly related and of material assistance to the teaching content; and

- The transmission must be made for the sole purpose of, and must be technologically restricted to the extent feasible to, (1) students officially enrolled in the course or (2) officers or employees of governmental bodies enrolled in the course as a part of their official duties or employment.⁸⁹⁸ The body or institution making the transmission must abide by the following restrictions:

- Implement policies on copyright;

- Provide educational material to faculty, students, and relevant staff members regarding U.S. copyright law and promoting compliance with those laws;

- Provide notice to students receiving the transmission that materials used in the course may be subject to U.S. copyright law;

- Use technological measures to ensure that recipients of the transmission cannot retain copies of a work for longer than the class session;

- Use technological measures to prevent the unauthorized dissemination of the work by the recipients of the transmission; and

- Not interfere with technological measures to protect works.⁸⁹⁹

The new exemptions do not apply if the performance or display is of a copy not lawfully made and acquired under the Copyright Act and the transmitting entity knew or had reason to believe such; nor with respect to a work “produced or marketed primarily for performance or display as part of mediated instructional activities transmitted via digital networks.”⁹⁰⁰

“Mediated instructional activities” are defined as activities that use a work as an integral part of a classroom experience controlled or supervised by the instructor and “analogous to the type of performance or display that would take place in a live classroom setting.”⁹⁰¹ It specifically does not refer to activities using copies that ***212** are typically purchased by students for their own independent use.⁹⁰² In other words, the exemptions are limited to materials that an instructor herself would typically incorporate into a live lecture and does not cover supplementary materials that an instructor would require her students to read or study on their own time.

The new section 112(f), which addresses ephemeral recordings, allows the making of copies of digital works, or making digital copies of analog works, to be used in transmissions authorized under section 110(2), if:

- the copies are retained and used only by the entity that made them;

- no further copies are reproduced from them;

- the copies are used solely for transmissions authorized under section 110(2); and
- in the case of converting analog works into digital formats, no digital version of the work is available to the institution without being subject to technological protection measures.⁹⁰³

B. Small Webcaster Settlement Act of 2002

The history of the Small Webcaster Settlement Act of 2002 begins with a provision of the DMCA requiring webcasters to pay royalty fees to recording labels and artists and includes another bill intended to address the same problems as the Small Webcaster Settlement Act. To understand certain aspects of the Act, it is necessary to understand the current system of collecting and allocating royalties for the public performance of musical works and sound recordings. Due to the complexity of this area of copyright law, the following will provide only the briefest of summaries.⁹⁰⁴

Section 106 of the Copyright Act grants the exclusive right of public performance to owners of copyright in musical works. Performance rights societies such as ASCAP, BMI, and SESAC, Inc. are composed of copyright owners of musical works, primarily songwriters and music publishers. The societies are authorized to act on behalf of the copyright owners to grant blanket licenses for the use of musical works in their repertoires; negotiate licensing fees; and collect and distribute royalties to the copyright owners.

***213** Until 1995, owners of copyright in sound recordings had no right to public performance of their works. The Digital Performance Right in Sound Recordings Act (“DPRA”) granted such copyright owners the right of public performance only “by means of a digital audio transmission.” The DPRA limited that right depending on the type of digital transmission, that is, whether the transmission is interactive, subscription, or non-subscription.⁹⁰⁵ Only subscription and interactive services are subject to a royalty under the DPRA, with the former being subject to a statutory fee and the latter to negotiated fees.⁹⁰⁶

In 1998, the DMCA expanded the scope of the compulsory license for qualifying subscription services to allow additional services to take advantage of the statutory rate and to create a new statutory license for ephemeral copies.⁹⁰⁷ The DMCA provides for a Copyright Arbitration Royalty Panel (“CARP”) to establish the original webcasting royalty rate and allows webcasting entities to postpone paying royalties until that rate is established. Once a rate is established, the DMCA requires that a CARP meet every two years to re-evaluate royalty fees for broadcasters.⁹⁰⁸

Although record companies and some large webcasting entities attempted for years to negotiate rates, they were, for the most part, unsuccessful.⁹⁰⁹ In February 2002, the first CARP for webcasting royalties released its recommendations, which included royalty rates of approximately fourteen cents per song per listener. The Librarian of Congress modified those recommended rates, effectively cutting them in half, and her decision was published in early July 2002, to become effective in September 2002.⁹¹⁰

The rate of approximately seven cents per song per listener was criticized by record labels as being too low and by webcasters--small ones in particular--as being so high as to drive them out of business, and the method of royalty allocation was criticized by representatives of artists as allocating too little to artists themselves.⁹¹¹ In response to the Librarian of Congress’s published rates, hundreds of ***214** webcasting stations reportedly either stopped streaming altogether or radically changed their programming. RealNetworks CEO Rob Glaser noted that although the quantity of streaming was not dramatically affected, the withdrawal of so many smaller webstreaming stations dramatically affected the diversity of music being streamed.⁹¹²

Less than three weeks later, in response to the criticism, Representative Inslee introduced the Internet Radio Fairness Act.⁹¹³ The Act would have exempted small businesses, small organizations, and small governmental jurisdictions, defined as those with six million dollars or less in annual gross revenues, from the rates established by the Librarian of Congress.⁹¹⁴ Instead, those entities would be bound by royalty rates set by the first CARP to be held after enactment of the bill.⁹¹⁵ The significance of this provision is evidenced in the next section of the bill, which would have exempted small entities from the requirement to bear the cost of participating in a CARP.⁹¹⁶ This provision was a direct response to criticism by small entities that they were unable to participate in the original CARP due to the cost.⁹¹⁷ The bill would have also exempted from royalty payments ephemeral copies, if retained and used only by the organization making the copy and only for the purpose of that organization’s transmissions or for archival preservation or security purposes.⁹¹⁸

In September, Representative Sensenbrenner introduced the Small Webcaster Settlement Act of 2002 as an alternative to the Inslee bill. The Sensenbrenner bill was approved by Congress on November 15, 2002, and signed into law on December 4, 2002.⁹¹⁹ The primary purpose of the Act was to temporarily suspend the requirement for payment of royalty fees for small commercial webcasters and noncommercial webcasters, thereby providing time for webcasters to negotiate rates acceptable to both themselves and copyright owners. Any such negotiated settlement must be based on a percentage of revenue or expenses or both and must include a minimum fee.⁹²⁰ This is a significant departure from the CARP recommendations and the Librarian of Congress's rate schedules, as those were both based on ***215** fee per performance rather than revenue. Any negotiated agreement is to be published in the Federal Register (but not in the Code of Federal Regulations) to provide access to all such agreements to nonparticipating small and noncommercial webcasters, who would then have the option to become party to that agreement in lieu of abiding by rates set by the Librarian of Congress.⁹²¹ The Act does not create any obligation to negotiate, and the terms of any agreement negotiated under the Act cannot be considered in other proceedings setting royalty rates for webcasting.⁹²²

The Act also addresses the deductibility of cost and expenses of the designated receiving agent, SoundExchange,⁹²³ as well as the distribution of royalties, and requires that payments be made directly to artists, a first in the history of royalties for the performance of sound recordings.⁹²⁴ Fifty percent of fees are to be paid to the copyright owner of the sound recording, while forty-five percent is to be paid to the featured recording artist or artists and the remaining five percent split between non-featured musicians and vocalists.⁹²⁵

Finally, the Act requires that a report be submitted by the Comptroller General and the Register of Copyrights to both Judiciary Committees regarding the economic arrangements among small commercial webcasters and the effect of those arrangements on royalty fees payable on a percentage of revenue basis.

On December 13, 2002, two days before the deadline established in the Act, SoundExchange and Voice of Webcasters, a coalition of small commercial webcasters, notified the Copyright Office that they had negotiated an agreement under the Act, which was then published in the Federal Register on December 24, 2002.⁹²⁶ The Copyright Office has no responsibility for administering the terms of the agreement.⁹²⁷

Webcasters eligible to be subject to the rates and terms of the agreement rather than those set forth by the Librarian of Congress are those that had gross ***216** revenues of \$1,000,000 or less during the period from November 1998 to June 2002; gross revenues of no more than \$500,000 during 2003; and for 2004, gross revenues and revenues from the operation of new subscription services of not more than \$1,250,000.⁹²⁸ Note that this limitation is dramatically more restrictive than that proposed in Representative Inslee's Internet Radio Fairness Act, under which entities earning less than \$6,000,000 in gross income would be eligible to participate.⁹²⁹ Although an eligible small webcaster electing to abide by the terms of the agreement may not change its mind and choose to be subject to the Librarian of Congress's terms and rates, should other rates voluntarily negotiated between other copyright owners and webcasters be adopted by the Librarian of Congress and published in the Federal Register, any eligible webcaster that had selected to be governed by the first published negotiated agreement could opt to be governed by the terms of a later published negotiated agreement.⁹³⁰

The agreement covers the period from October 28, 1998, through December 31, 2004.⁹³¹ For the period from 1998 through 2002, the royalty rate is eight percent of the webcaster's gross revenues or five percent of the webcaster's expenses, whichever is greater.⁹³² For 2003 and 2004, the royalty rate is ten percent of the webcaster's first \$250,000 in gross revenues and twelve percent of gross revenues thereafter, or seven percent of the webcaster's expenses, whichever is greater.⁹³³ Ephemeral recordings used by a webcaster solely to facilitate transmissions are deemed to be included in the royalty payments.⁹³⁴ The required minimum fees are, for the few weeks of 1998, \$500; for calendar years 1999 through 2002, \$2,000 annually; for calendar years 2003 and 2004, \$2,000 annually if the webcaster has gross revenues of less than \$50,000, and \$5,000 if the webcaster's gross revenues were more than \$50,000.⁹³⁵ A grace period is provided for webcasters with gross revenues of less than \$100,000, and payments of past due royalties may be made on an installment plan basis.⁹³⁶

***217** Other provisions of the agreement address the process by which a webcaster elects to be subject to the agreement; a process for making payments; notice and record keeping; and participation in the economics arrangements study required under the Small Webcaster Settlement Act.⁹³⁷

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1 Eldred v. Ashcroft, 537 U.S. 186, 65 U.S.P.Q.2d (BNA) 1225 (2003).

2 See *infra* Section II.D.

3 See *Hammer v. Trendl*, 2002 WL 32059751 (E.D.N.Y. 2002); *infra* Section VIII.B.

4 See *Lexmark Int'l, Inc. v Static Control Components, Inc.*, 253 F. Supp. 2d 943, 66 U.S.P.Q.2d (BNA) 1405 (E.D. Ky. 2003); *In re Verizon Internet Servs. Inc.*, 240 F. Supp. 2d 24, 65 U.S.P.Q.2d (BNA) 1574 (D.D.C. 2003); *In re Aimster Copyright Litig.*, 252 F. Supp. 2d 634 (N.D. Ill. 2002); *infra* Section VIII.A.

5 See, e.g., *In re Aimster Copyright Litig.*, 252 F. Supp. 2d 634 (N.D. Ill. 2002); *infra* Section V.B.

6 No. 02 Civ. 6284 (JFK), 2002 WL 31834477 (S.D.N.Y. Dec. 17, 2002).

7 *Sunham Home*, 2002 WL 31834477, at *1.

8 *Id.* at *5.

9 *Id.* at *6.

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11 *Boisson*, 273 F.3d at 265, 60 U.S.P.Q.2d at 1975.

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

13 *Sunham Home*, 2002 WL 31834477, at *6 (discussing *Boisson*).

14 *Id.*

15 329 F.3d 923, 66 U.S.P.Q.2d (BNA) 1820 (7th Cir. 2003).

16 *Bucklew*, 329 F.3d at 925, 66 U.S.P.Q.2d at 1822.

17 *Id.* at 925-26, 66 U.S.P.Q.2d at 1822.

18 *Id.*

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20 Id., 66 U.S.P.Q.2d at 1823.

21 Id. at 926-27, 66 U.S.P.Q.2d (BNA) at 1823.

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23 Id. at 928, 66 U.S.P.Q.2d at 1824.

24 101 U.S. 99 (1879).

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26 Id.

27 Id. at 928-29, 66 U.S.P.Q.2d at 1824.

28 Id., 66 U.S.P.Q.2d at 1824-25.

29 Id. at 930, 66 U.S.P.Q.2d at 1826.

30 Id.

31 209 F. Supp. 2d 941 (N.D. Ill. 2002).

32 American Massage Therapy, 209 F. Supp. 2d at 943-44.

33 Id. at 946.

34 499 U.S. 340, 18 U.S.P.Q.2d (BNA) 1275 (1991).

35 American Massage Therapy, 209 F. Supp. 2d at 947 (quoting Feist, 499 U.S. at 361, 18 U.S.P.Q.2d at 1284).

36 Id.

37 Id.

38 Id. at 948.

39 Id.

40 Id.

41 American Massage Therapy, 209 F. Supp. 2d at 948.

42 Id. at 948-50.

43 303 F.3d 460, 64 U.S.P.Q.2d (BNA) 1363 (2d Cir. 2002).

44 Sparaco, 303 F.3d at 462-64, 64 U.S.P.Q.2d at 1363-66.

45 Id. at 465, 64 U.S.P.Q.2d at 1366.

46 Id.

47 Id.

48 Id. (“Compilation” is defined in the Copyright Act as “a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship.” 17 U.S.C. § 101 (1976)).

49 Id. at 465-66, 64 U.S.P.Q.2d at 1367.

50 Sparaco, 303 F.3d at 466, 64 U.S.P.Q.2d at 1367.

51 Id. at 467, 64 U.S.P.Q.2d at 1367 (citing Feist, 499 U.S. at 347-48, 18 U.S.P.Q.2d at 1278-79).

52 Id. at 467, 64 U.S.P.Q.2d at 1367.

53 Id., 64 U.S.P.Q.2d at 1368.

54 Id.

55 201 F.3d 50, 53 U.S.P.Q.2d (BNA) 1253 (2d Cir. 1999).

56 Sparaco, 303 F.3d at 467, 64 U.S.P.Q.2d at 1368.

57 Id. at 468, 64 U.S.P.Q.2d at 1369.

58 Id., 64 U.S.P.Q.2d at 1368.

59 Id. (citing *Attia v. Society of the N.Y. Hosp.*, 201 F.3d 50, 55, 53 U.S.P.Q.2d (BNA) 1253, 1259 (2d Cir. 1999)).

60 Id. at 468, 64 U.S.P.Q.2d at 1368.

61 Id. at 468-69, 64 U.S.P.Q.2d at 1369.

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63 Id. at 469, 64 U.S.P.Q.2d at 1369.

64 Id.

65 Id. at 469, 64 U.S.P.Q.2d at 1369.

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80 Id. at 420.

81 Rodriguez, 260 F. Supp. 2d at 420. See also *infra* Part V.A.1.

82 Id. at 414.

83 234 F. Supp. 2d 905, 65 U.S.P.Q.2d (BNA) 1504 (S.D. Ind. 2002).

84 Celebration Int'l, 234 F. Supp. 2d at 908-09, 65 U.S.P.Q.2d at 1505.

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86 Id.

87 Id. at 913, 65 U.S.P.Q.2d at 1508.

88 Id., 65 U.S.P.Q.2d at 1509.

89 Id. at 913, 65 U.S.P.Q.2d at 1509 (citing Paul Goldstein, Copyright § 2.5.3, at 2:67 (2d ed. 1998)).

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91 347 U.S. 201, 100 U.S.P.Q. (BNA) 325 (1954).

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94 Id.

95 Id.

96 Id. at 916-17, 65 U.S.P.Q.2d at 1511.

97 Id. at 917, 65 U.S.P.Q.2d at 1511.

98 Celebration Int'l, 234 F. Supp. 2d at 917, 65 U.S.P.Q.2d at 1512.

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100 Id. at 222, 65 U.S.P.Q.2d at 1242.

101 See Thomas R. Lee, Eldred v. Ashcroft and the (Hypothetical) Copyright Term Extension Act of 2020, 12 Tex. Intell. Prop. L.J. 1 (2003).

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103 Id., 65 U.S.P.Q.2d at 1230.

104 Id. at 194-95, 65 U.S.P.Q.2d at 1230.

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107 Id.

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110 Id.

111 Id.

112 Id. at 204-05, 65 U.S.P.Q.2d at 1235.

113 Id. at 205, 65 U.S.P.Q.2d at 1235.

114 Eldred, 537 U.S. at 205, 65 U.S.P.Q.2d at 1235. See also Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, revised, Paris, July 24, 1971, art. 7(8), 25 U.S.T. 1341, 828 U.N.T.S. 221.

115 Eldred, 537 U.S. at 205-06, 65 U.S.P.Q.2d at 1235

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118 Id. at 208, 65 U.S.P.Q.2d at 1236.

119 Id. at 210, 65 U.S.P.Q.2d at 1237.

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122 Id.

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124 Id. at 212, 65 U.S.P.Q.2d at 1238.

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130 Id., 65 U.S.P.Q.2d at 1241.

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153 Id.

154 Id. at 1281.

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166 257 F. Supp. 2d 1234, 66 U.S.P.Q.2d (BNA) 1195 (C.D. Cal. 2003).

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182 *Id.* at 1222.

183 *Id.*

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187 *Id.*, 64 U.S.P.Q.2d at 1464-65.

188 *Id.* at 755, 64 U.S.P.Q.2d at 1468.

189 *Id.* at 752, 64 U.S.P.Q.2d at 1465.

190 *Id.* at 751, 64 U.S.P.Q.2d at 1464.

191 *Id.* at 753, 64 U.S.P.Q.2d at 1466.

192 *Liu*, 302 F.3d at 753, 64 U.S.P.Q.2d at 1466

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196 Id. (citing Liu v. Price Waterhouse LLP, 182 F. Supp. 2d 666, 673, 58 U.S.P.Q.2d (BNA) 1124, 1129-30 (N.D. Ill. 2001)).

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218 Id. at 1205, 66 U.S.P.Q.2d at 1952.

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223 Id. at 1207, 66 U.S.P.Q.2d at 1952 (citing Prather, 410 F.2d at 698, 162 U.S.P.Q. at 385).

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258 Id. at 509, 66 U.S.P.Q.2d at 1907 (citing 17 U.S.C. § 408(a) (1992)).

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293 Id. at 3-4.

294 Id. at 4.

295 Id.

296 Strategic Source, 233 F. Supp. 2d at 4.

297 267 F. Supp. 2d 1022, 67 U.S.P.Q.2d (BNA) 1364 (N.D. Cal. 2003).

298 Zito, 267 F. Supp. 2d at 1023-24, 67 U.S.P.Q.2d at 1365.

299 Id. at 1025, 67 U.S.P.Q.2d at 1365.

300 Id., 67 U.S.P.Q.2d at 1366.

301 Id.

302 Id.

303 Id.

304 No. 02 Civ. 6284 (JFK), 2002 WL 31834477 (S.D.N.Y. Dec. 17, 2002).

305 Sunham Home, 2002 WL 31834477, at *2. See supra Part II.A.1. and Part III.C.1.

306 Id. at *1.

307 490 U.S. 730, 10 U.S.P.Q.2d (BNA) 1985 (1989).

308 Sunham Home, 2002 WL 31834477, at *4 (citing Reid, 490 U.S. 730, 10 U.S.P.Q.2d 1985).

309 Id.

310 Id.

311 Id. at *5.

312 Id.

313 Id.

314 Sunham Home, 2002 WL 31834477, at * 5.

315 Id.

316 Id.

317 No. 99 Civ. 9307 (JFK), 2002 WL 31358991 (S.D.N.Y. Sept. 30, 2002).

318 Yurman Design, 2002 WL 31358991, at *4.

319 261 F. Supp. 2d 502, 66 U.S.P.Q.2d (BNA) 1902 (E.D. Va. 2003).

320 Huthwaite, 261 F. Supp. 2d at 505, 66 U.S.P.Q.2d at 1904. See supra Part IV.A.

321 Huthwaite, 261 F. Supp. 2d at 505, 66 U.S.P.Q.2d at 1904.

322 Id. at 510, 66 U.S.P.Q.2d at 1908.

323 Id., 66 U.S.P.Q.2d at 1909.

324 Id. at 510-11, 66 U.S.P.Q.2d at 1909.

325 323 F.3d 279, 66 U.S.P.Q.2d (BNA) 1210 (4th Cir. 2003).

326 Xoom, 323 F.3d at 284, 66 U.S.P.Q.2d at 1214. See supra Part IV.B.

327 Xoom, 323 F.3d at 284, 66 U.S.P.Q.2d at 1214.

328 Id.

329 Id. at 285, 66 U.S.P.Q.2d at 1214.

330 Id.

331 226 F. Supp. 2d 1224 (C.D. Cal. 2002).

332 Swirsky, 226 F. Supp. 2d at 1225.

333 Id. at 1227 (citing Smith v. Jackson, 84 F.3d. 1213, 1218, 39 U.S.P.Q.2d (BNA) 1026, 1029 (9th Cir. 1996)).

334 Id.

335 Id.

336 Id.

337 Id.

338 Swirsky, 226 F. Supp. 2d at 1228.

339 Id.

340 Id. at 1228-29.

341 Id. at 1229.

342 Id. at 1230.

343 Id. at 1231.

344 Swirsky, 266 F. Supp. 2d at 1231-32, 1233, 1234.

345 Id. at 1233 (citing *Tisi v. Patrick*, 97 F. Supp. 2d 539, 548, 55 U.S.P.Q.2d (BNA) 1117, 1123 (S.D.N.Y. 2000), *McRae v. Smith*, 968 F. Supp. 559, 566-67, 44 U.S.P.Q.2d (BNA) 1131, 1136-37 (D. Colo. 1997), *Intersong-USA v. CBS, Inc.*, 757 F. Supp. 274, 282, 18 U.S.P.Q.2d (BNA) 1828, 1834 (S.D.N.Y. 1991)).

346 Id. at 1234.

347 Id.

348 234 F. Supp. 2d 905, 65 U.S.P.Q.2d (BNA) 1504 (S.D. Ind. 2002). See *supra* Part II.C.1.

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350 Id. at 918, 65 U.S.P.Q.2d at 1512.

351 Id.

352 Id., 65 U.S.P.Q.2d at 1513 (quoting *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487, 489, 124 U.S.P.Q. (BNA) 154, 155 (2d Cir. 1960)).

353 Id.

354 260 F. Supp. 2d 413 (D.P.R. 2003).

355 Rodriguez, 260 F. Supp. 2d at 420. See *supra* Part II.B.

356 Rodriguez, 260 F. Supp. 2d at 417 (quoting *Educational Testing Serv. v. Katzman*, 793 F.2d 533, 541, 230 U.S.P.Q. (BNA) 156, 161 (3d Cir. 1986)).

357 Id. at 420.

358 Id.

359 Id.

360 Id.

361 Id.

362 298 F.3d 1228, 63 U.S.P.Q.2d (BNA) 1687 (11th Cir. 2002).

363 Calhoun, 298 F.3d at 1230, 63 U.S.P.Q.2d at 1687.

364 Id.

365 Id. at 1235, 63 U.S.P.Q.2d at 1691. See *infra* Part VI.D.

366 Calhoun, 298 F.3d at 1230-31, 63 U.S.P.Q.2d at 1688.

367 Id. at 1231, 63 U.S.P.Q.2d at 1688.

368 Id.

369 Id.

370 Id.

371 Id. at 1233, 63 U.S.P.Q.2d at 1689.

372 Calhoun, 298 F.3d at 1233-34, 63 U.S.P.Q.2d at 1690.

373 Id. at 1234, 63 U.S.P.Q.2d at 1690.

374 Id., 63 U.S.P.Q.2d at 1691.

375 No. 01 Civ. 0357(LAP), 2002 WL 1492123 (S.D.N.Y. July 11, 2002).

376 Jorgensen, 2002 WL 1492123, at *1.

377 Id.

378 Id. (quoting Plaintiff's Rule 56.1 Statement P C, Jorgensen v. Careers BMG Music Publishing, No. 01 Civ. 0357(LAP), 2002 WL 1492123 (July 11, 2002)).

379 Id. at *2.

380 Id. (quoting Plaintiff's Rule 56.1 Statement P D, Jorgensen).

381 Id. at *4. (quoting Tisi v. Patrick, 97 F. Supp. 2d 539, 547 (S.D.N.Y. 2000)).

382 Jorgensen, 2002 WL 1492123, at *4.

383 Id.

384 Id. at *4-5.

385 252 F. Supp. 2d 634 (N.D. Ill. 2002).

386 Aimster, 252 F. Supp. 2d at 639.

387 Id. at 638.

388 Id. at 641-44.

389 Id. at 641.

390 Id.

391 Id.

392 Aimster, 252 F. Supp. 2d at 644.

393 Id.

394 Id.

395 Id. at 643.

396 Id. at 640-42.

397 Id. at 640.

398 Aimster, 252 F. Supp. 2d at 642.

399 Id.

400 Id. at 643.

401 Id.

402 Id.

403 Id.

404 Aimster, 252 F. Supp. 2d at 646.

405 Id. at 646-47.

406 Id. at 638.

407 Id. at 648.

408 Id.

409 Id.

410 Id.

411 Aimster, 252 F. Supp. 2d at 648-49.

412 Id. at 649 (quoting S. Rep. No. 102-294, at 30 (1992)).

413 Id. (quoting Defendant's Brief at 8, in re Aimster Copyright Litigation, 252 F. Supp. 2d 634 (2002)).

414 Id.

415 180 F.3d 1072, 51 U.S.P.Q.2d (BNA) 1115 (9th Cir. 1999).

416 Aimster, 252 F. Supp. 2d at 649 (quoting RIAA, 180 F.3d at 1081, 51 U.S.P.Q.2d at 1123).

417 Id.

418 Id. (citing RIAA, 180 F.3d at 1079, 51 U.S.P.Q.2d at 1121).

419 Id. at 649.

420 Id. (quoting Gershwin Publ'g Corp. v. Columbia Artists Mgt., Inc., 443 F.2d 1159, 1162, 170 U.S.P.Q. (BNA) 182, 183 (2d Cir. 1971)).

421 Id. at 650.

422 Aimster, 252 F. Supp. 2d at 650.

423 Id.

424 Id. at 651.

425 Id. (emphasis in original).

426 76 F.3d 259, 37 U.S.P.Q.2d (BNA) 1590 (9th Cir. 1996).

427 Aimster, 252 F. Supp. 2d at 651 (citing Fonovisa).

428 Id. (quoting Fonovisa, 76 F.3d at 264, 37 U.S.P.Q.2d at 1594-95).

429 Id. (quoting Fonovisa, 76 F.3d at 264, 37 U.S.P.Q.2d at 1594).

430 114 F. Supp. 2d 896, 55 U.S.P.Q.2d (BNA) 1780 (N.D. Cal. 2000).

431 Aimster, 252 F. Supp. 2d at 651-52 (citing Napster, 114 F. Supp. 2d at 919, 55 U.S.P.Q.2d at 1797-98).

432 Id. at 652 (quoting Napster, 114 F. Supp. 2d at 920, 55 U.S.P.Q.2d at 1798).

433 Id. (quoting Napster, 114 F. Supp. 2d at 920, 55 U.S.P.Q.2d at 1798).

434 Id.

435 Id.

436 Id.

437 Aimster, 252 F. Supp. 2d at 652 (citing Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 220 U.S.P.Q. (BNA) 665 (1984)).

438 Id. at 653.

439 Id. at 653-54.

440 Id. at 653 (emphasis in original).

441 Id. (quoting Sony, 464 U.S. at 442, 220 U.S.P.Q. at 678).

442 Id. (quoting Sony, 464 U.S. at 437, 220 U.S.P.Q. at 676).

443 Aimster, 252 F. Supp. 2d at 653 (emphasis in original).

444 Id. at 653-54.

445 Id. (emphasis in original).

446 Id.

447 Id. at 654.

448 Id. (quoting Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc., 955 F.2d 1143, 1150, 21 U.S.P.Q.2d (BNA) 1764, 1769 (7th Cir. 1992) (citing Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc., 443 F.2d 1159, 1162, 170 U.S.P.Q. (BNA) 182, 184 (2d Cir. 1971))).

449 Aimster, 252 F. Supp. 2d at 655.

450 Id.

451 Id.

452 Id.

453 *In re Aimster Copyright Litig.*, 334 F.3d 643, 646, 67 U.S.P.Q.2d (BNA) 1233, 1236 (7th Cir. 2003) [hereinafter *Aimster II*].

454 Id. at 647, 67 U.S.P.Q.2d at 1236.

455 Id.

456 Id. at 648, 67 U.S.P.Q.2d at 1237.

457 Id. (quoting *Sony*, 464 U.S. 417, 442, 220 U.S.P.Q. (BNA) 665, 678 (1984)).

458 Id.

459 *Aimster II*, 334 F.3d at 648, 67 U.S.P.Q.2d at 1237.

460 Id.

461 Id. at 648-49, 67 U.S.P.Q.2d at 1238.

462 Id. at 649, 67 U.S.P.Q.2d at 1238.

463 Id. (citing 2 Paul Goldstein, *Copyright* § 6.1.2, p. 6:12-1 (2d ed. 2003)) (internal citation omitted).

464 Id.

465 *Aimster II*, 334 F.3d at 649, 67 U.S.P.Q.2d at 1238.

466 Id. at 650, 67 U.S.P.Q.2d at 1239.

467 Id.

468 Id.

469 Id.

470 Id. at 650-51, 67 U.S.P.Q.2d at 1239.

471 Aimster II, 334 F.3d at 651, 67 U.S.P.Q.2d at 1239.

472 Id.

473 Id.

474 Id., 67 U.S.P.Q.2d at 1239-40.

475 Id.

476 Id.

477 Aimster II, 334 F.3d at 652, 67 U.S.P.Q.2d at 1240.

478 Id. at 652-53, 67 U.S.P.Q.2d at 1240-41.

479 Id. at 653, 67 U.S.P.Q.2d at 1241.

480 Id.

481 Id.

482 Id. at 654, 67 U.S.P.Q.2d at 1242.

483 Aimster II, 334 F.3d at 654-55, 67 U.S.P.Q.2d at 1242.

484 259 F. Supp. 2d 1029, 66 U.S.P.Q.2d (BNA) 1579 (C.D. Cal. 2003).

485 Id. at 1032, 66 U.S.P.Q.2d at 1581.

486 Id. at 1032-33, 66 U.S.P.Q.2d at 1582.

487 Id. at 1034, 66 U.S.P.Q.2d at 1583.

488 239 F.3d 1004, 57 U.S.P.Q.2d (BNA) 1729 (9th Cir. 2001).

489 Grokster, 259 F. Supp. 2d at 1034-35, 66 U.S.P.Q.2d at 1583 (citing Napster, 239 F.3d at 1013 n.2, 57 U.S.P.Q.2d at 1733 n.2).

490 Id. at 1035, 66 U.S.P.Q.2d at 1584.

491 Id. (quoting Napster, 239 F.3d at 1019, 57 U.S.P.Q.2d at 1738).

492 Id. (quoting Adobe Sys. Inc. v. Canus Prods., Inc., 173 F. Supp. 2d 1044, 1048 (C.D. Cal. 2001)).

493 Id. (quoting Napster, 239 F.3d at 1019, 57 U.S.P.Q.2d at 1738).

494 Id. (emphasis in original).

495 Grokster, 259 F. Supp. 2d at 1035, 66 U.S.P.Q.2d at 1584 (citing Sony, 464 U. S. at 442, 220 U.S.P.Q. at 678).

496 Id.

497 Id. at 1036, 66 U.S.P.Q.2d at 1585 (citing Napster, 239 F.3d at 1021, 57 U.S.P.Q.2d at 1740).

498 Id. at 1036-37, 66 U.S.P.Q.2d at 1585.

499 Id. at 1037, 66 U.S.P.Q.2d at 1585.

500 Id. at 1038, 66 U.S.P.Q.2d at 1586 (emphasis in original).

501 Grokster, 259 F. Supp. 2d at 1038, 66 U.S.P.Q. 2d at 1586 (quoting Napster, 239 F.3d at 1022, 57 U.S.P.Q.2d at 1740-41).

502 Id. at 1039, 66 U.S.P.Q.2d at 1587.

503 Id.

504 Id. at 1039-41, 66 U.S.P.Q.2d at 1587-89.

505 Id. at 1040-41, 66 U.S.P.Q.2d at 1588-89.

506 Id. at 1041, 66 U.S.P.Q.2d at 1589.

507 Grokster, 259 F.Supp. 2d at 1041, 66 U.S.P.Q.2d at 1589.

508 Id. at 1043, 66 U.S.P.Q.2d at 1590 (quoting Napster, 239 F.3d at 1022, 57 U.S.P.Q.2d at 1741).

509 Id.

510 Id. (quoting *Napster*, 239 F.3d at 1023, 57 U.S.P.Q.2d at 1741).

511 Id. at 1044, 66 U.S.P.Q.2d at 1590.

512 Id., 66 U.S.P.Q.2d at 1590-91.

513 *Grokster*, 259 F. Supp. 2d at 1044-45, 66 U.S.P.Q.2d at 1591.

514 *Napster*, 239 F.3d at 1023-24, 57 U.S.P.Q.2d at 1742.

515 *Aimster*, 252 F. Supp. 2d at 654-55.

516 *Grokster*, 259 F. Supp. 2d at 1045, 66 U.S.P.Q.2d at 1591.

517 Id.

518 Id.

519 Id., 66 U.S.P.Q.2d at 1592.

520 Id.

521 Id. at 1045-46, 66 U.S.P.Q.2d at 1592 (emphasis in original).

522 *Grokster*, 259 F.Supp. 2d at 1046, 66 U.S.P.Q.2d at 1592.

523 317 F.3d 385, 65 U.S.P.Q.2d (BNA) 1601 (4th Cir. 2003).

524 *Bond*, 317 F.3d at 390, 65 U.S.P.Q.2d at 1602.

525 Id.

526 Id.

527 Id. at 391, 65 U.S.P.Q.2d at 1603.

528 Id.

529 Id.

530 Bond, 317 F.3d at 392, 65 U.S.P.Q.2d at 1604.

531 Id.

532 Id.

533 Id. at 393, 65 U.S.P.Q.2d at 1605.

534 Id. at 395, 65 U.S.P.Q.2d at 1606.

535 Id., 65 U.S.P.Q.2d at 1607.

536 510 U.S. 569, 29 U.S.P.Q.2d (BNA) 1961 (1994).

537 Bond, 317 F.3d at 395-96, 65 U.S.P.Q.2d at 1607 (quoting Campbell, 510 U.S. at 578, 29 U.S.P.Q.2d at 1965).

538 Id. at 396, 65 U.S.P.Q.2d at 1607.

539 Id.

540 510 U.S. 517, 29 U.S.P.Q.2d (BNA) 1881 (1994).

541 Bond, 317 F.3d at 396, 65 U.S.P.Q.2d at 1607 (quoting Fogerty, 510 U.S. at 526, 29 U.S.P.Q.2d at 1885).

542 Id. at 396-97, 65 U.S.P.Q.2d at 1607 (quoting unreported district court opinion).

543 Id. at 397, 65 U.S.P.Q.2d at 1607.

544 229 F. Supp. 2d 315, 64 U.S.P.Q.2d (BNA) 1950 (S.D.N.Y. 2002).

545 Id. at 318, 64 U.S.P.Q.2d at 1950.

546 Mattel, 229 F. Supp. 2d at 321, 64 U.S.P.Q.2d at 1953 (citing Campbell, 510 U.S. at 579, 29 U.S.P.Q.2d at 1965).

547 Id. at 321-22, 64 U.S.P.Q.2d at 1953.

548 Id. at 322, 64 U.S.P.Q.2d at 1953.

549 Id.

550 Id. (citing Campbell, 510 U.S. at 580, 29 U.S.P.Q.2d at 1966).

551 Id., 64 U.S.P.Q.2d at 1954.

552 Mattel, 229 F. Supp. 2d at 322-23, 64 U.S.P.Q.2d at 1954.

553 Id. at 323, 64 U.S.P.Q.2d at 1954.

554 Id.

555 Id. at 323-24, 64 U.S.P.Q.2d at 1954.

556 Id. at 324, 64 U.S.P.Q.2d at 1954.

557 Id., 64 U.S.P.Q.2d at 1954-55 (quoting Campbell, 510 U.S. at 588, 29 U.S.P.Q.2d at 1969).

558 Mattel, 229 F. Supp. 2d at 324, 64 U.S.P.Q.2d at 1955.

559 Id., 64 U.S.P.Q.2d at 1955 (citing Campbell, 510 U.S. at 591-92, 29 U.S.P.Q.2d at 1970).

560 Id.

561 Id. (citing Campbell, 510 U.S. at 591-92, 29 U.S.P.Q.2d at 1970).

562 Id. at 324-25, 64 U.S.P.Q.2d at 1955.

563 216 F. Supp. 2d 1051 (N.D. Cal. 2002).

564 Adobe Sys., 216 F. Supp. 2d at 1052.

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566 Id. at 1053.

567 Id.

568 Id. at 1054.

569 Id. at 1054-55.

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571 Id.

572 Id. at 1056.

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574 Id.

575 Id. at 1056.

576 Adobe Sys., 216 F. Supp.2d at 1056

577 Id. (quoting Adobe Sys., Inc. v. One Stop Micro, 84 F. Supp. 2d 1086, 1091, 53 U.S.P.Q.2d (BNA) 2003, 2006 (N.D. Cal. 2000) [hereinafter One Stop Micro]).

578 Id. at 1057.

579 Id.

580 Adobe Sys., 216 F. Supp. 2d at 1057 (citing One Stop Micro, 84 F. Supp. 2d at 1091, 53 U.S.P.Q.2d at 2006).

581 Id. at 1057-58.

582 Adobe Sys., 216 F. Supp.2d at 1059.

583 Id.

584 Id.

585 Id. at 1060.

586 243 F. Supp. 2d 444 (N.D.N.C. 2003).

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588 Id. at 448.

589 Id. at 448-49.

590 Id. at 447.

591 Id.

592 Id. at 449.

593 Collezione, 243 F. Supp. 2d at 449 (citing 17 U.S.C. § 301(a) (1976)).

594 Id.

595 Id. (citing 1 M. Nimmer, *The Law of Copyright* § 1.01[B][3] (1984)).

596 Id. at 449-50.

597 Id. at 450.

598 Id. (citing *Baldine v. Furniture Comfort Corp.*, 956 F. Supp. 580, 587, 41 U.S.P.Q.2d (BNA) 1290, 1296 (N.D.N.C. 1996)).

599 Collezione, 243 F. Supp. 2d at 450 (quoting *Baldine*, 956 F. Supp. at 587, 41 U.S.P.Q.2d at 1296).

600 Id.

601 Id.

602 Id.

603 Id.

604 Id.

605 Collezione, 243 F. Supp. 2d at 450.

606 Id.

607 Id. at 450-51.

608 Id. at 451.

609 Id.

610 233 F. Supp. 2d 734 (M.D.N.C. 2002).

611 Old South Home, 233 F. Supp. 2d at 735.

612 Id.

613 Id. at 736.

614 Id.

615 Id.

616 Id. at 736-37.

617 Old South Home, 233 F. Supp. 2d at 739.

618 Id. at 737-38.

619 Id. at 737.

620 Id.

621 Id. at 737-38.

622 Id. at 738 (quoting *Kindergartners Count, Inc. v. DeMoulin*, 171 F. Supp. 2d 1183, 1191, 61 U.S.P.Q.2d (BNA) 1017, 1022 (D. Kan. 2001)).

623 64 U.S.P.Q.2d (BNA) 1503 (Cal. App. 2002).

624 *Kabehie*, 64 U.S.P.Q.2d at 1504.

625 Id.

626 Id. at 1504-05.

627 Id. at 1505.

628 Id.

629 Id. at 1506.

630 Kabehie, 64 U.S.P.Q.2d at 1509.

631 Id. at 1510.

632 Id. at 1511-12.

633 Id. at 1511 (internal citations omitted).

634 Id.

635 Id.

636 Kabehie, 64 U.S.P.Q.2d at 1511.

637 Id.

638 Id.

639 Id.

640 Id. at 1511-12.

641 Id. at 1512.

642 Kabehie, 64 U.S.P.Q.2d at 1512

643 Id.

644 Id.

645 302 F.3d 1334, 64 U.S.P.Q.2d (BNA) 1065 (Fed. Cir. 2002).

646 Bowers, 302 F.3d at 1339-40, 64 U.S.P.Q.2d at 1067.

647 Id. at 1340, 64 U.S.P.Q.2d at 1067.

648 Id.

649 Id.

650 Id. at 1341, 64 U.S.P.Q.2d at 1067.

651 Id. at 1342, 64 U.S.P.Q.2d at 1068.

652 Bowers, 302 F. 3d at 1341-42, 64 U.S.P.Q.2d at 1068 (citing Data Gen. Corp. v. Grumman Sys. Support Corp., 36 F.3d 1147, 32 U.S.P.Q.2d (BNA) 1385 (1st Cir. 1994)).

653 Id. at 1341, 64 U.S.P.Q.2d at 1068.

654 Id.

655 Id. at 1341-42, 64 U.S.P.Q.2d at 1068.

656 Id. at 1342, 64 U.S.P.Q.2d at 1068 (citing Data Gen. Corp., 36 F.3d at 1165, 32 U.S.P.Q.2d at 1397 (quoting Mayer v. Josiah Wedgwood & Sons, 601 F. Supp. 1523, 1535, 225 U.S.P.Q. (BNA) 776, 784 (S.D.N.Y. 1985))).

657 Id. at 1342, 64 U.S.P.Q.2d at 1068 (citations omitted).

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660 Id.

661 Id.

662 Id.

663 Id. at *2-3.

664 Id. at *1.

665 Tannenbaum, 2002 WL 31778813, at *1.

666 Id.

667 Id.

668 Id. at *3.

669 Id.

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671 298 F.3d 1228, 63 U.S.P.Q.2d (BNA) 1687 (11th Cir. 2002).

672 Calhoun, 298 F.3d at 1231, 63 U.S.P.Q.2d at 1688. See supra Part V.A.2.

673 Calhoun, 298 F.3d at 1235, 63 U.S.P.Q.2d at 1691.

674 Id. at 1232, 63 U.S.P.Q.2d at 1689.

675 Id.

676 Id. at 1233, 63 U.S.P.Q.2d at 1690.

677 Id.

678 Id.

679 Calhoun, 298 F.3d at 1233, 63 U.S.P.Q.2d at 1690.

680 Id. at 1235, 63 U.S.P.Q.2d at 1691.

681 230 F. Supp. 2d 830, 65 U.S.P.Q.2d (BNA) 1119 (M.D. Tenn. 2002).

682 Bridgeport Music, 230 F. Supp. 2d at 833, 65 U.S.P.Q.2d at 1122.

683 Id. at 832, 65 U.S.P.Q.2d at 1121.

684 Id. at 840, 65 U.S.P.Q.2d at 1127.

685 Id. at 840-41, 65 U.S.P.Q.2d at 1127-28.

686 Id. at 841, 65 U.S.P.Q.2d at 1128 (quoting *Newton v. Diamond*, 204 F. Supp. 2d 1244, 1257 (C.D. Cal. 2002) (quoting *Jarvis v. A&M Records*, 827 F. Supp. 282, 291, 27 U.S.P.Q.2d (BNA) 1812, 1818 (D.N.J. 1993))).

687 Id.

688 Bridgeport Music, 230 F. Supp. 2d at 841, 65 U.S.P.Q.2d at 1128.

689 Id. at 840, 65 U.S.P.Q.2d at 1128.

690 Id. at 841, 65 U.S.P.Q.2d at 1128.

691 Id.

692 Id.

693 Id.

694 Bridgeport Music, 230 F. Supp. 2d at 841, 65 U.S.P.Q.2d at 1128.

695 Id. at 842, 65 U.S.P.Q.2d at 1129.

696 Id. at 841, 65 U.S.P.Q.2d at 1128.

697 Id.

698 Id. at 842, 65 U.S.P.Q.2d at 1129.

699 Id.

700 Bridgeport Music, 230 F. Supp. 2d at 843, 65 U.S.P.Q.2d at 1129.

701 226 F. Supp. 2d 1251, 64 U.S.P.Q.2d (BNA) 1694 (D. Nev. 2002).

702 Molotky, 226 F. Supp. 2d at 1252, 64 U.S.P.Q.2d at 1695.

703 Id.

704 Id.

705 Id.

706 Id.

707 Id.

708 Molotky, 266 F. Supp. 2d at 1252, 64 U.S.P.Q.2d at 1695.

709 Id. at 1253, 64 U.S.P.Q.2d at 1696.

710 Id. at 1254, 64 U.S.P.Q.2d at 1696.

711 Eales v. Environmental Lifestyles, Inc., 958 F.2d 876, 881, 22 U.S.P.Q.2d (BNA) 1059, 1062 (9th Cir. 1992).

712 Molotky, 226 F. Supp. 2d at 1254, 64 U.S.P.Q.2d at 1696.

713 Id. (citing 17 U.S.C. § 504(b) (1976)).

714 Id. at 1254-55, 64 U.S.P.Q.2d at 1696-97 (quoting Mackie v. Rieser, 296 F.3d 909, 914, 63 U.S.P.Q.2d (BNA) 1755, 1758 (9th Cir. 2002)).

715 Id. at 1255, 64 U.S.P.Q.2d at 1697.

716 Id.

717 Id. at 1256, 64 U.S.P.Q.2d at 1698 (citing H.R. Rep. No. 94-1476, at 161 (1976)).

718 Molotky, 266 F. Supp. 2d at 1256-57, 64 U.S.P.Q.2d at 1698.

719 267 F. Supp. 2d 505 (E.D. Va. 2003).

720 GMAC, 267 F. Supp. 2d at 508.

721 Id. at 509.

722 Id. at 508.

723 Id. at 510.

724 Id.

725 Id. at 511.

726 GMAC, 267 F. Supp. 2d at 511.

727 Id. at 511-12.

728 No. 01 Civ. 12743(LAK), 2003 WL 193507 (S.D.N.Y. Jan. 14, 2003).

729 GMA Accessories, 2003 WL 193507, at *1.

730 Id.

731 Id.

732 Id. at *4.

733 Id.

734 Id.

735 GMA Accessories, 2003 WL 193507, at *4.

736 No. 01 Civ. 904(DLC), 2002 WL 31133391 (S.D.N.Y. Sept. 26, 2002).

737 Elements, 2002 WL 31133391, at *1.

738 Fogerty, 510 U.S. at 534 n.19, 29 U.S.P.Q.2d at 1888 n.19 (quoting Lieb v. Topstone Indus., Inc., 788 F.2d 151, 156, 229 U.S.P.Q. (BNA) 426, 429 (3d Cir. 1986)).

739 Elements, 2002 WL 31133391, at *3.

740 Id. at *1.

741 Id.

742 Id.

743 Id.

744 Id.

745 Elements, 2002 WL 31133391, at *1.

746 Id. at *3.

747 Id. at *2.

748 Id. at *3 (emphasis in original).

749 Id.

750 Id.

751 317 F.3d 385, 65 U.S.P.Q.2d (BNA) 1601 (4th Cir. 2002). See supra Part VI.A.

752 Bond, 317 F.3d at 389, 65 U.S.P.Q.2d at 1602.

753 Id. at 397, 65 U.S.P.Q.2d at 1608.

754 Id. (quoting *Rosciszewski v. Arete Assocs., Inc.*, 1 F. 3d 225, 234, 27 U.S.P.Q.2d (BNA) 1678, 1685 (4th Cir. 1993)).

755 Id. at 398, 65 U.S.P.Q.2d at 1608.

756 Id. at 397-98, 65 U.S.P.Q.2d at 1608.

757 Id. at 398, 65 U.S.P.Q.2d at 1608.

758 Bond, 317 F.3d at 398, 65 U.S.P.Q.2d at 1608.

759 Id.

760 Id., 65 U.S.P.Q.2d at 1609.

761 Id. at 398-99, 65 U.S.P.Q.2d at 1609-10.

762 Id. at 399-400, 65 U.S.P.Q.2d at 1610 (quoting *Kay v. Ehrler*, 499 U.S. 432, 436 n.7 (1991)).

763 Id. at 400, 65 U.S.P.Q.2d at 1610.

764 Bond, 317 F.3d at 400, 65 U.S.P.Q.2d at 1610.

765 334 F.3d 643, 67 U.S.P.Q.2d (BNA) 1233 (7th Cir. 2003) [hereinafter *Aimster II*]. See supra Part V.B.

766 Aimster II, 334 F.3d at 655, 67 U.S.P.Q.2d at 1243.

767 Id.

768 Id.

769 Id. at 656, 67 U.S.P.Q.2d at 1243.

770 Pub. L. No. 105-304, § 103, 112 Stat. 2860, 2863-2872 (1998).

771 253 F. Supp. 2d 943, 66 U.S.P.Q.2d (BNA) 1405 (E.D. Ky. 2003).

772 17 U.S.C. § 1201(a) - (b) (1999).

773 17 U.S.C. § 1201(f) (1998).

774 Pub. L. No. 105-304, §202, 112 Stat. 2860, 2877-2886 (1998).

775 17 U.S.C. § 512(a) - (d) (1998).

776 Id. § 512(i) (1998).

777 See id. § 512(a) - (d).

778 Id. § 512(a).

779 Id. § 512(a)(1) - (5).

780 Id. § 512(b).

781 17 U.S.C. § 512(c)(1) - (3).

782 Id. § 512(c)(2) - (3).

783 Id. § 512(d).

784 Id.

785 240 F. Supp. 2d 24, 65 U.S.P.Q.2d (BNA) 1574 (D.D.C. 2003).

786 17 U.S.C. § 512(h)(1), (3) (1998).

787 Id. § 512(h)(2)(C) (1998).

788 Id. § 512(h)(4) (1998).

789 253 F. Supp. 2d 943, 66 U.S.P.Q.2d (BNA) 1405 (E.D. Ky. 2003).

790 Lexmark Int'l, 253 F. Supp. 2d at 946, 66 U.S.P.Q.2d at 1407.

791 Id. at 947, 66 U.S.P.Q.2d at 1408.

792 Id. at 948-52, 66 U.S.P.Q.2d at 1409-12.

793 Id. at 955, 66 U.S.P.Q.2d at 1414.

794 Id. at 947-48, 66 U.S.P.Q.2d at 1410.

795 Id. at 946, 66 U.S.P.Q.2d at 1408.

796 Lexmark Int'l, 253 F. Supp. 2d at 960-61, 66 U.S.P.Q.2d at 1418 (quoting DSC Communications Corp. v. Pulse Communications, Inc., 170 F.3d 1354, 1363, 50 U.S.P.Q.2d (BNA) 1001, 1007 (Fed. Cir. 1999)).

797 Id. at 962, 66 U.S.P.Q.2d at 1419.

798 Id. at 965-66, 66 U.S.P.Q.2d at 1422.

799 Id. at 966, 66 U.S.P.Q.2d at 1422 (citing Microsoft Corp. v. Compusource Distributions, Inc., 115 F. Supp. 2d 800, 811 (E.D. Mich. 2000)).

800 Id., 66 U.S.P.Q.2d at 1423.

801 Id.

802 Lexmark Int'l, 253 F. Supp. 2d at 967, 66 U.S.P.Q.2d at 1423-24.

803 Id. at 968, 66 U.S.P.Q.2d at 1424.

804 Id., 66 U.S.P.Q.2d at 1425.

805 Id.

806 Id. at 969, 66 U.S.P.Q.2d at 1425.

807 Id. (citing 17 U.S.C § 1201(a) - (b)).

808 Lexmark Int'l, 253 F. Supp. 2d at 969, 66 U.S.P.Q.2d at 1426.

809 Id. at 970, 66 U.S.P.Q.2d at 1426 (citing 17 U.S.C § 1201(f)(3)).

810 Id. at 971, 66 U.S.P.Q.2d at 1426.

811 Id. at 974, 66 U.S.P.Q.2d at 1429.

812 Verizon, 240 F. Supp. 2d at 26, 65 U.S.P.Q.2d at 1575.

813 Id.

814 Id. at 28, 65 U.S.P.Q.2d at 1576 (citing 17 U.S.C. § 512(h)).

815 Id., 65 U.S.P.Q.2d at 1576-77.

816 Id., 65 U.S.P.Q.2d at 1577.

817 Id.

818 Verizon, 240 F. Supp. 2d at 28-29, 65 U.S.P.Q.2d at 1577.

819 Id. at 29, 65 U.S.P.Q.2d at 1577.

820 Id.

821 Id.

822 Id.

823 Id. at 30, 65 U.S.P.Q.2d at 1578.

824 Verizon, 240 F. Supp. 2d at 30-31, 65 U.S.P.Q.2d at 1578 (quoting 17 U.S.C. § 512(k)(1) (1998)).

825 Id. at 31, 65 U.S.P.Q.2d at 1578.

826 Id., 65 U.S.P.Q.2d at 1579.

827 Id. at 32, 65 U.S.P.Q.2d at 1579.

828 Id.

829 Id., 65 U.S.P.Q.2d at 1579-80.

830 Verizon, 240 F. Supp. 2d at 32, 65 U.S.P.Q.2d at 1580.

831 Id.

832 Id.

833 Id. at 32-33, 65 U.S.P.Q.2d at 1580.

834 Id. at 33, 65 U.S.P.Q.2d at 1580.

835 Id. at 34, 65 U.S.P.Q.2d at 1581 (internal citations omitted).

836 Verizon, 240 F. Supp. 2d at 34, 65 U.S.P.Q.2d at 1581.

837 Id.

838 Id. at 34-35, 65 U.S.P.Q.2d at 1581.

839 Id. at 35, 65 U.S.P.Q.2d at 1581.

840 Id.

841 Id., 65 U.S.P.Q.2d at 1582.

842 Verizon, 240 F. Supp. 2d at 35-36, 65 U.S.P.Q.2d at 1582.

843 Id. at 36, 65 U.S.P.Q.2d at 1583.

844 Id. at 37, 65 U.S.P.Q.2d at 1583.

845 Id.

846 Id. at 39, 65 U.S.P.Q.2d at 1585.

847 Id. at 40, 65 U.S.P.Q.2d at 1585.

848 Verizon, 240 F. Supp. 2d at 40, 65 U.S.P.Q.2d at 1585.

849 Id., 65 U.S.P.Q.2d at 1586.

850 Id.

851 Id. at 41, 65 U.S.P.Q.2d at 1586.

852 Id. at 41-42, 65 U.S.P.Q.2d at 1587.

853 Id. at 42-43, 65 U.S.P.Q.2d at 1587-88.

854 Verizon, 240 F. Supp. 2d at 43, 65 U.S.P.Q.2d at 1588 (citing Watchtower Bible & Tract Soc’y of N.Y., Inc. v. Village of Stratton, 536 U.S. 150 (2002), Buckley v. Am. Constitutional Law Found., Inc., 525 U.S. 182 (1999), McIntyre v. Ohio Elections Comm., 514 U.S. 334 (1995)).

855 Id. at 43-44, 65 U.S.P.Q.2d at 1588.

856 Id. at 44, 65 U.S.P.Q.2d at 1589.

857 Id. at 44-45, 65 U.S.P.Q.2d at 1589.

858 252 F. Supp. 2d 634 (N.D. Ill. 2002). See supra Part V.B.

859 Aimster, 252 F. Supp. 2d at 656.

860 Id. at 657 (quoting ALS Scan, Inc. v. RemarQ Cmtys., Inc., 239 F.3d 619, 625 (4th Cir. 2001) (citing H.R. Conf. Rep. No. 105-796, at 72 (1998))).

861 Id. at 657.

862 Id. at 657-58 (emphasis in original).

863 Id. at 658.

864 Id. at 659.

865 Aimster, 252 F. Supp. 2d at 659.

866 Id. (quoting Defendant's Brief at 16, Aimster).

867 Id.

868 Id.

869 Id.

870 Id.

871 Aimster, 252 F. Supp. 2d at 659.

872 Id.

873 Id.

874 Id. at 660.

875 Id.

876 Id.

877 Aimster, 252 F. Supp. 2d at 660 (citing 17 U.S.C. § 512(b)(1)).

878 Id. at 660-61.

879 Id.

880 Id. at 661 (citing 17 U.S.C. § 512(d)).

881 Id. (citing 17 U.S.C. §§ 512(d)(1)-(d)(2)).

882 Aimster II, 334 F.3d at 655, 67 U.S.P.Q.2d at 1242.

883 Id. at 655, 67 U.S.P.Q.2d at 1243 (citing 17 U.S.C. § 512(i)(1)(A) (1998)) (internal citations omitted).

884 No. CV 02-2462 ADS, 2002 WL 32059751, at *1 (E.D.N.Y. 2002).

885 Hammer, 2002 WL 32059751, at *1.

886 Id.

887 Id.

888 Id.

889 Technology, Education, and Copyright Harmonization (TEACH) Act of 2002, Pub. L. No. 107-273, 116 Stat. 1758 (codified in scattered sections of 17 U.S.C.).

890 H.R. Rep. No. 107-687, at 1-3 (2002).

891 Id. at 7-9.

892 See 17 U.S.C. § 110 (2002); The 1976 Copyright Act, Pub. L. No. 94-533, 90 Stat. 2541.

893 H.R. Rep. No. 107-687, at 11 (2002).

894 Digital Millennium Copyright Act § 304, Pub. L. No. 105-304, 112 Stat. 2860 (1998); see also Promotion of Distance Education Through Digital Technologies, 63 Fed. Reg. 63,749-02 (Nov. 16, 1998).

895 U.S. Copyright Office, Report on Copyright and Digital Distance Education, at http://www.copyright.gov/reports/de_rprt.pdf (1999).

896 H.R. Rep. No. 107-687, at 4.

897 Id. at 2.

898 17 U.S.C. § 110(2).

899 Id.

900 Id.

901 Id.

902 Id.

903 17 U.S.C. § 112(f) (2002).

904 Music copyright is a very complex area of copyright law, due in large part to the different application of copyright law to musical works and to sound recordings, and to the almost piece-meal approach of the law regarding new technologies. Unfortunately, a thorough explanation of these laws and issues is beyond the scope of this paper. For an excellent, accessible discussion, see R. Anthony Reese, Copyright and Internet Music Transmissions: Existing Law, Major Controversies, Possible Solutions, 55 U. Miami L. Rev. 237 (2001).

905 See generally Reese, *supra* note 904.

906 M. William Krasilovsky & Sidney Shemel, *This Business of Music* 79 (8th ed. 2000).

907 Digital Performance Right in Sound Recordings and Ephemeral Recordings, 65 Fed. Reg. 2194, 2194-95 (Jan. 13, 2000).

908 17 U.S.C. § 114(f) (2002).

909 Evan Hansen, Bill Could Spare Webcasters from Silence, c<<vertical bar>>net News.com, at <http://news.com/2100-1023-959805.html> (Sept. 26, 2002).

910 Determination of Reasonable Rates and Terms for the Digital Performance of Sound Recordings and Ephemeral Recordings, 67 Fed. Reg. 45240 (July 8, 2002).

911 John Borland, New Bill Would Save Small Webcasters, c<<vertical bar>>net News.com, at <http://news.com/2100-1023-946642.html> (July 26, 2003).

912 *Id.*

913 H.R. 5285, 107th Cong. (2002).

914 *Id.*

915 *Id.*

916 *Id.*

917 *Id.*

918 *Id.*

919 Small Webcaster Settlement Act of 2002, Pub. L. No. 107-321, 116 Stat. 2780 (2002) (codified as amendments to 17 U.S.C. §§ 101, 114).

920 *Id.* at 2782.

921 Id.

922 Id.

923 SoundExchange is a non-profit organization formed by the Recording Industry Association of America originally for the purpose of negotiating licenses and collecting and administering royalties under the DPRA. It is composed of almost 400 members, including recording companies of all sizes and artist representatives, who represent over 2000 labels accounting for 90% of sound recordings legally sold in the U.S.

924 Small Webcaster Settlement Act of 2002, 116 Stat. at 2784-85.

925 Id.

926 Notification of Agreement Under the Small Webcaster Settlement Act of 2002, 67 Fed. Reg. 78510 (Dec. 24, 2002).

927 Id. at 78511.

928 Id. at 78513.

929 See H.R. 5285, 107th Cong. (2002).

930 Notification of Agreement Under the Small Webcaster Settlement Act of 2002, 67 Fed. Reg. at 78511.

931 Id.

932 Id.

933 Id.

934 Id.

935 Id. at 78512.

936 Notification of Agreement Under the Small Webcaster Settlement Act of 2002, 67 Fed. Reg. at 78512.

937 Id.