Chapter 9

Intellectual Property

"Discovery consists of seeing what everybody has seen and thinking what nobody else has thought."

Jonathan Swift, *Gulliver's Travels*
(pt. III, ch. V, Voyage to Laputa)

Mickey Mouse is no laughing matter. The humble rodent who made his movie debut in 1928 as Steamboat Willie is the origin of what has become the Walt Disney Co. communication empire. In 2022, revenue of that empire exceeded $82 billion, money earned from film and television production, broadcasting, sales of programs in video and audio formats, publishing, licensing of the image of characters for toys, music, theme parks, and a large number of related activities. To be sure, many of the company's assets are in traditional forms of property—real and personal. But those assets exist to serve the main asset of the company: intellectual property. The company's ability to make money depends on its legal right to control the use of its products, which are primarily images and sounds such as Mickey.

For this, it has the United States Constitution to thank. One of the powers given to Congress in Article I of the Constitution is the power "[t]o promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."

Bill Gates can be grateful for the same section of the Constitution. He became the richest man in the world for a time through the founding of a computer software company whose products are also protected by copyright. Microsoft makes money because it has the legal right to control its software products, which are primarily arrangements of computer code designed to achieve particular results.

For Disney and Microsoft, copyright is the principal form of protection, but hardly the only one. Both companies make use of trademarks to distinguish them from competitors, and both companies have trade secrets that allow them to maintain what they believe to be continuing advantages in the marketplace.

Companies that make the machinery on which Disney and Microsoft products are used also are indebted to the same section of the Constitution. In their case, it is patent protection that allows them to reap a profit from inventions that produce improved ways of watching and listening to various media. Since the time Steamboat Willie debuted, inventors have developed new ways for him to be perceived, year after year. In 1928, "talking pictures" (movies with sound) had only just begun. Television was unknown. After television came videotape recorders, laser discs,

digital video discs, and streaming online video over the Internet. Television screens have evolved from big and bulky picture tubes to flat liquid crystal and plasma displays. For their part, computers (and computer chips) have become smaller and more powerful by the month. Each incarnation creates new sales both of the hardware and the software it supports (or often fails to support, thus requiring users to buy new software too).

In 18th century America, when the Constitution was written, land was the principal measure of property. In 21st century America, intellectual property reigns supreme. According to September 2022 data in Forbes magazine, Gates was the third-richest person in America. Number one was Elon Musk, whose empire is based on technological innovation, including electric-powered cars and space travel rockets. Number two was Jeff Bezos, founder of Amazon — a company devoted to luring customers away from land-based stores. Larry Ellison, chairman of the computer software company Oracle, was fourth. The two founders of Google were numbers six and seven. Number eight was the former CEO of Microsoft. Number nine was the founder of the Bloomberg news service.

The primacy of intellectual property is due to its nature. The same item of copyrighted or patented intellectual property can be reproduced and sold millions of times over. By contrast, land — no matter how valuable and how many ways it may be used — remains immovable and fixed in size. The ease of duplication, however, makes intellectual property easily subject to theft. Land, on the other hand, is stable and quite hard to steal. Thus, different forms of law have grown up around intellectual property, reflecting its distinctive strengths and weaknesses.

Overview

In this chapter, we will examine four principal forms of intellectual property law: copyright, patent, trade secret, and trademark law. As you read the chapter, try to determine which kind of law is best suited to the various types of creations, and how several of the laws might be used together to provide protection that no one of them could supply by itself. At the same time, keep in mind the balance between the rights of intellectual property owners ("authors and inventors") and those of the public. Who should be entitled to exclusive rights? For what kind of things? For how long? As consumers of intellectual property, we all have a stake in the answers to these questions.

Those who have already studied the intellectual property law of another country will find many familiar concepts here. In contrast to real property, which is fixed in one location, intellectual property's intangible nature makes it amenable to international cooperation and harmonization. For example, the Berne Convention for the Protection of Literary and Artistic Works was concluded in 1886. Since then, more than 160 countries have agreed to afford the same copyright protection to overseas authors that they give to their own. No additional formalities are required.

Similarly, under the 1970 Patent Cooperation Treaty — with almost as many member countries — a filing in one of them in a single language secures priority for later filings in any of them. Even American domestic law finally embraced uniformity when it was changed in 2013 to award patents based on the "first to file" principle used in most countries. Previously, the U.S. system used "first to invent."

Despite the move toward uniformity, American intellectual property law remains important in itself. The United States is a major market for goods and services from around the world. Moreover, the U.S. courts are often the forum of choice for disputes, based on discovery rules, potentially generous damage awards, and accelerated "rocket docket" procedures in a few federal district courts.

To begin, consider the following case in which the interests of owners of long-standing copyrights were contested by those who wished to make use of those materials freely. Congress passed a law extending the term of copyright, allowing copyright owners to maintain control of their intellectual property for a longer period of time. When a copyright term expires, the material falls into the "public domain," which means that anyone can use it freely. A well-known law professor attempted to convince the Court that the extension was unconstitutional as applied to works already under copyright, but the majority rejected his argument. He has since helped found an organization called "Creative Commons," dedicated to trying to achieve a balance between the exclusive control that copyright gives to authors and the polar opposite of complete public access without compensation.

At this juncture, do not be concerned about the details of copyright. Rather, you should focus on the social balance between giving exclusive rights to intellectual property versus free access.

Eldred v. Ashcroft

537 U.S. 186 (2003)

Ginsburg, J.

This case concerns the authority the Constitution assigns to Congress to prescribe the duration of copyrights. The Copyright and Patent Clause of the Constitution, Art. I, § 8, cl. 8, provides as to copyrights: "Congress shall have Power . . . [t]o promote the Progress of Science . . . by securing [to Authors] for limited Times . . . the exclusive Right to their . . . Writings." In 1998, in the measure here under inspection, Congress enlarged the duration of copyrights by 20 years. Copyright Term Extension Act (CTEA) (amending 17 U.S.C. § 302, 304). As in the case of prior extensions, principally in 1831, 1909, and 1976, Congress provided for application of the enlarged terms to existing and future copyrights alike.

Petitioners are individuals and businesses whose products or services build on copyrighted works that have gone into the public domain. They seek a determination that the CTEA fails constitutional review under both the Copyright Clause's "limited Times" prescription and the First Amendment's free speech guarantee.

Under the 1976 Copyright Act, copyright protection generally lasted from the work's creation until 50 years after the author's death. Under the CTEA, most copyrights now run from creation until 70 years after the author's death. Petitioners do not challenge the "life-plus-70-years" time span itself. "Whether 50 years is enough, or 70 years too much," they acknowledge, "is not a judgment for this Court." Congress went awry, petitioners maintain, not with respect to newly created works, but in enlarging the term for published works with existing copyrights. The "limited Tim[e]" in effect when a copyright is secured, petitioners urge, becomes the constitutional boundary, a clear line beyond the power of Congress to extend.

In accord with the District Court and the Court of Appeals, we reject petitioners' challenges to the CTEA. In that 1998 legislation, as in all previous copyright term extensions, Congress placed existing and future copyrights in parity. In prescribing that alignment, we hold, Congress acted within its authority and did not transgress constitutional limitations.

We address first the determination of the courts below that Congress has authority under the Copyright Clause to extend the terms of existing copyrights. Text, history, and precedent, we conclude, confirm that the Copyright Clause empowers Congress to prescribe "limited Times" for copyright protection and to secure the same level and duration of protection for all copyright holders, present and future.

The CTEA's baseline term of life plus 70 years, petitioners concede, qualifies as a "limited Tim[e]" as applied to future copyrights. Petitioners contend, however, that existing copyrights extended to endure for that same term are not "limited." Petitioners' argument essentially reads 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. At the time of the Framing, that word meant what it means today: "confine[d] within certain bounds," "restrain[ed]," or "circumscribe[d]." Thus understood, a time span appropriately "limited" as applied to future copyrights does not automatically cease to be "limited" when applied to existing copyrights.

To comprehend the scope of Congress' power under the Copyright Clause, "a page of history is worth a volume of logic." History reveals an unbroken congressional practice of granting to authors of works with existing copyrights the benefit of term extensions so that all under copyright protection will be governed evenhandedly under the same regime. The First Congress accorded the protections of the Nation's first federal copyright statute to existing and future works alike. Since then, Congress has regularly applied duration extensions to both existing and future copyrights.

Because the Clause empowering Congress to confer copyrights also authorizes patents, congressional practice with respect to patents informs our inquiry. We count it significant that early Congresses extended the duration of numerous individual patents as well as copyrights.

Further, although prior to the instant case this Court did not have occasion to decide whether extending the duration of existing copyrights complies with the "limited Times" prescription, the Court has found no constitutional barrier to the legislative expansion of existing patents. *McClurg v. Kingsland*, 1 How. 202 (1843), is the pathsetting precedent. The patentee in that case was unprotected under the law in force when the patent issued because he had allowed his employer briefly to practice the invention before he obtained the patent. Only upon enactment, two years later, of an exemption for such allowances did the patent become valid, retroactive to the time it issued. *McClurg* upheld retroactive application of the new law. The Court explained that the legal regime governing a particular patent "depend[s] on the law as it stood at the emanation of the patent, together with such changes as have been since made; for though they may be retrospective in their operation, that is not a sound objection to their validity." Neither is it a sound objection to the validity of a copyright term extension, enacted pursuant to the same constitutional grant of authority, that the enlarged term covers existing copyrights.

Congress' consistent historical practice of applying newly enacted copyright terms to future and existing copyrights reflects a judgment stated concisely by Representative Huntington at the time of the 1831 Act: "[J]ustice, policy, and equity alike forb[id]" 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] act." The CTEA follows this historical practice by keeping the duration provisions of the 1976 Act largely in place and simply adding 20 years to each of them. Guided by text, history, and precedent, we cannot agree with petitioners' submission that extending the duration of existing copyrights is categorically beyond Congress' authority under the Copyright Clause.

The CTEA reflects judgments of a kind Congress typically makes, judgments we cannot dismiss as outside the Legislature's domain. As respondent describes, a key factor in the CTEA's passage was a 1993 European Union (EU) directive instructing EU members to establish a copyright term of life plus 70 years. Consistent with the Berne Convention, the EU directed its members to deny this longer term to the works of any non-EU country whose laws did not secure the same extended term. By extending the baseline United States copyright term to life plus 70 years, Congress sought to ensure that American authors would receive the same copyright protection in Europe as their European counterparts.

In addition to international concerns, Congress passed the CTEA in light of demographic, economic, and technological changes, and rationally credited projections that longer terms would encourage copyright holders to invest in the restoration and public distribution of their works.

In sum, we find that the CTEA is a rational enactment; we are 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

treating future and existing copyrights in parity for term extension purposes — is an impermissible exercise of Congress' power under the Copyright Clause.

As 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. Beneath the facade of their inventive constitutional interpretation, petitioners forcefully urge that Congress pursued very bad policy in prescribing the CTEA's long terms. The wisdom of Congress' action, however, is not within our province to second guess. Satisfied that the legislation before us remains inside the domain the Constitution assigns to the First Branch, we affirm the judgment of the Court of Appeals.

Stevens, J., dissenting

The express grant of a perpetual copyright would unquestionably violate the textual requirement that the authors' exclusive rights be only "for limited Times." Whether the extraordinary length of the grants authorized by the 1998 Act are invalid because they are the functional equivalent of perpetual copyrights is a question that need not be answered in this case because the question presented by the *certiorari* petition merely challenges Congress' power to extend retroactively the terms of existing copyrights. Accordingly, there is no need to determine whether the deference that is normally given to congressional policy judgments may save from judicial review its decision respecting the appropriate length of the term. It is important to note, however, that a categorical rule prohibiting retroactive extensions would effectively preclude perpetual copyrights. More importantly, as the House of Lords recognized when it refused to amend the Statute of Anne in 1735, unless the Clause is construed to embody such a categorical rule, Congress may extend existing monopoly privileges *ad infinitum* under the majority's analysis.

By failing to protect the public interest in free access to the products of inventive and artistic genius — indeed, by virtually ignoring the central purpose of the Copyright/Patent Clause — the Court has quitclaimed to Congress its principal responsibility in this area of the law. Fairly read, the Court has stated that Congress' actions under the Copyright/Patent Clause are, for all intents and purposes, judicially unreviewable. That result cannot be squared with the basic tenets of our constitutional structure. It is not hyperbole to recall the trenchant words of Chief Justice John Marshall: "It is emphatically the province and duty of the judicial department to say what the law is." *Marbury v. Madison*, 1 Cranch 137, 177 (1803). We should discharge that responsibility.

Breyer, J., dissenting

This statute will cause serious expression-related harm. It will likely restrict traditional dissemination of copyrighted works. It will likely inhibit new forms of dissemination through the use of new technology. It threatens to interfere with efforts to preserve our Nation's historical and cultural heritage and efforts to use

that heritage, say, to educate our Nation's children. It is easy to understand how the statute might benefit the private financial interests of corporations or heirs who own existing copyrights. But I cannot find any constitutionally legitimate, copyright-related way in which the statute will benefit the public. Indeed, in respect to existing works, the serious public harm and the virtually nonexistent public benefit could not be more clear.

* * *

Topics for Further Discussion

1. The statute at issue in the case is called the "Sonny Bono Copyright Term Extension Act." Sonny Bono was the Congressman who introduced the bill. Before entering politics, he was the husband of singer/actress Cher, and half of the team called "Sonny & Cher." The bill was passed after his death in a skiing accident. What do you imagine were some of the reasons that led Congress to extend the term of copyright

2. Is the extension of existing copyrights different from extending the period for new copyrights? In *Golan v. Heller*, 565 U.S. 302 (2012), the Supreme Court ruled that the Constitution's Copyright Clause even gives Congress the power to give new copyright protection to works that already were in the public domain (meaning free access) in the U.S.. The case involved works by foreign authors, and the statute was passed as part of American efforts to harmonize its laws with international copyright law (the Berne Convention).

3. Justice Breyer, in his dissent, worries that the majority decision may inhibit new forms of communication. In what way might that happen?

4. The Statute of Anne, mentioned in Justice Stevens' dissent, was a British law of 1710 that granted copyright in books for fourteen years from publication.

Copyright

Copyright law concerns exactly what its name suggests, the right to copy. The details, however, are far less simple. Modern American copyright law has gone through three major periods. The first was the passage of the 1909 copyright statute. That law governed the area until a major revision enacted in 1976. The next major revision was the Digital Millennium Copyright Act, signed into law in 1998.

With both the 1976 and 1998 statutes, changes in technology prompted Congress to review the balance between content producers and consumers. In 1909, for example, phonograph records were in their infancy. The first commercial radio station was still more than ten years in the future. The first major silent film, "Birth of a Nation," appeared in 1915. "Talkies" did not debut until 1927, with "The Jazz Singer." In the intervening years, television, audio and video tape, photocopy

machines, and numerous other methods of communication and copying all came into existence. The 1976 Act was designed to prevent copyright law from falling behind the technology.

Technology, however, refused to remain still. Digital-based methods, arising out of the computer industry, brought the ability to send, receive, and copy content directly to the desktop. The Internet made it possible for anyone to download text, audio, and video; and for unknown people to share their files with one another. All this gave rise to the 1998 Act.

Despite the advances in technology, the basic tenets of copyright law remain the same. What has changed is the ease with which consumers can copy. Before the advent of the printing press, copying was a process that could only be accomplished by hand. The effort itself was a deterrent. Printing technology made copying somewhat less laborious but still far from easy. With the invention of the photocopy machine, however, copying became easier than simply purchasing an authorized edition. Digitalization now has turned copying (whether authorized or not) into a matter of the click of a mouse and a few milliseconds.

As copying has become easier, consumers have — quite predictably — done more of it. Some also argue that, because it is so easy, it should be legal. Copyright owners, on the other hand, have become more aggressive in pursuing copyright violators. They fear that technology may erode and perhaps extinguish their ability to profit from their own creative acts.

The Copyright Act of 1976 remains the fundamental law, with supplements and revisions from time to time. Its opening chapter addresses the question of what is copyrightable. Section 102 states:

> (a) Copyright protection subsists . . . in original works of authorship, fixed in any tangible medium of expression, now know or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories:
>
> (1) literary works;
>
> (2) musical works, including any accompanying words
>
> (3) dramatic works, including any accompanying music
>
> (4) pantomimes and choreographic works;
>
> (5) pictorial, graphic, and sculptural works;
>
> (6) motion pictures and other audiovisual works;
>
> (7) sound recordings; and
>
> (8) architectural works

> (b) In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.

A quick glance at Section 102 reveals the general scope of copyright protection. It extends primarily to the world of the arts. Those who enrich the public's lives through their creative works are given the legal right to control them and, thus, benefit from them financially. The key phrase of Section 102 is "original works of authorship, fixed in any tangible medium of expression." Those few words include a number of the following important points.

1. Original. The work in question must have been created by the person claiming copyright (or someone who purchased the right from him). It cannot be a copy of someone else's creation. Originality, however, is not the same thing as "novelty," a concept we will study later in patent law. Novelty means "new." Originality is often new, but — strictly speaking — only requires that the creator has done it himself. Thus, in copyright law, two writers may independently come up with the same song. In theory, both of them have valid copyrights. By contrast, in patent law, only the first inventor to file is entitled to legal protection.

2. Authorship. The work must involve at least a modicum of creative activity. Some early cases, for example, questioned whether photographs involved authorship because the camera mechanically captured what was right in front of it. Courts eventually, and wisely, concluded that the decisions of where to point the camera, how to arrange the subject (in some instances), what exposure to select (including aperture — the size of the opening of the lens, and shutter speed), and how to develop the negatives all indicated that more than enough authorship was involved to qualify for copyright protection.

3. Fixed. The work must somehow be capable of being perceived repeatedly. In other words, a live performance of an opera is not "fixed." A recording of a performance of a live opera is.

4. Tangible medium. "Tangible" means having some form. A movie, for example, has tangible form in the physical film. Even though what we watch is the non-tangible images produced when light passes through the film, the content is copyrightable because it is fixed in the film itself.

5. Expression. Ideas, by themselves, are not copyrightable. In order to benefit under the copyright law, the person who comes up with an idea must express it in some way. Thus, the idea for a screenplay is not copyrightable, but a written proposal outlining the screenplay would give rise to protection.

6. Now known or later developed. With this language, the Act remains up to date regardless of changes in technology.

Keeping the concepts of section 102 in mind, consider the following case, in which a member of the Beatles was sued for copyright infringement.

Bright Tunes Music Corp. v. Harrisongs Music, Ltd.

420 F. Supp. 177 (S.D.N.Y. 1976)

Owen, J.

This is an action in which it is claimed that a successful song, My Sweet Lord, listing George Harrison as the composer, is plagiarized from an earlier successful song, He's So Fine, composed by Ronald Mack, recorded by a singing group called the "Chiffons," the copyright of which is owned by plaintiff, Bright Tunes Music Corp.

He's So Fine, recorded in 1962, is a catchy tune consisting essentially of four repetitions of a very short basic musical phrase, "sol-mi-re," (hereinafter motif A), altered as necessary to fit the words, followed by four repetitions of another short basic musical phrase, "sol-la-do-la-do," (hereinafter motif B). While neither motif is novel, the four repetitions of A, followed by four repetitions of B, is a highly unique pattern. In addition, in the second use of the motif B series, there is a grace note inserted making the phrase go "sol-la-do-la-re-do."

My Sweet Lord, recorded first in 1970, also uses the same motif A (modified to suit the words) four times, followed by motif B, repeated three times, not four. In place of He's So Fine's fourth repetition of motif B, My Sweet Lord has a transitional passage of musical attractiveness of the same approximate length, with the identical grace note in the identical second repetition. The harmonies of both songs are identical.

George Harrison, a former member of The Beatles, was aware of He's So Fine. In the United States, it was No. 1 on the billboard charts for five weeks; in England, Harrison's home country, it was No. 12 on the charts on June 1, 1963, a date upon which one of the Beatle songs was, in fact, in first position. For seven weeks in 1963, He's So Fine was one of the top hits in England.

According to Harrison, the circumstances of the composition of My Sweet Lord were as follows. Harrison and his group, which include an American black gospel singer named Billy Preston, were in Copenhagen, Denmark, on a singing engagement. There was a press conference involving the group going on backstage. Harrison slipped away from the press conference and went to a room upstairs and began "vamping" some guitar chords, fitting on to the chords he was playing the words, "Hallelujah" and "Hare Krishna" in various ways. During the course of this vamping, he was alternating between what musicians call a Minor II chord and a Major V chord.

At some point, germinating started and he went down to meet with others of the group, asking them to listen, which they did, and everyone began to join in, taking first "Hallelujah" and then "Hare Krishna" and putting them into four part harmony. Harrison obviously started using the "Hallelujah," etc., as repeated sounds, and from there developed the lyrics, to wit, "My Sweet Lord," "Dear, Dear Lord," etc. In any event, from this very free-flowing exchange of ideas, with Harrison playing

his two chords and everybody singing "Hallelujah" and "Hare Krishna," there began to emerge the My Sweet Lord text idea, which Harrison sought to develop a little bit further during the following week as he was playing it on his guitar. Thus developed motif A and its words interspersed with "Hallelujah" and "Hare Krishna."

Approximately one week after the idea first began to germinate, the entire group flew back to London because they had earlier booked time to go to a recording studio with Billy Preston to make an album. In the studio, Preston was the principal musician. Harrison did not play in the session. He had given Preston his basic motif A with the idea that it be turned into a song, and was back and forth from the studio to the engineer's recording booth, supervising the recording "takes." Under circumstances that Harrison was utterly unable to recall, while everybody was working toward a finished song, in the recording studio, somehow or other the essential three notes of motif A reached polished form.

The Billy Preston recording, listing George Harrison as the composer, was thereafter issued by Apple Records. The music was then reduced to paper by someone who prepared a "lead sheet" containing the melody, the words and the harmony for the United States copyright application.

Seeking the wellsprings of musical composition — why a composer chooses the succession of notes and the harmonies he does — whether it be George Harrison or Richard Wagner — is a fascinating inquiry. It is apparent from the extensive colloquy between the Court and Harrison covering forty pages in the transcript that neither Harrison nor Preston were conscious of the fact that they were utilizing the He's So Fine theme. However, they in fact were, for it is perfectly obvious to the listener that in musical terms, the two songs are virtually identical except for one phrase. There is motif A used four times, followed by motif B, four times in one case, and three times in the other, with the same grace note in the second repetition of motif B.

What happened? I conclude that the composer, in seeking musical materials to clothe his thoughts, was working with various possibilities. As he tried this possibility and that, there came to the surface of his mind a particular combination that pleased him as being one he felt would be appealing to a prospective listener; in other words, that this combination of sounds would work. Why? Because his subconscious knew it already had worked in a song his conscious mind did not remember. Having arrived at this pleasing combination of sounds, the recording was made, the lead sheet prepared for copyright and the song became an enormous success. Did Harrison deliberately use the music of He's So Fine? I do not believe he did so deliberately. Nevertheless, it is clear that My Sweet Lord is the very same song as He's So Fine with different words, and Harrison had access to He's So Fine. This is, under the law, infringement of copyright, and is no less so even though subconsciously accomplished.

* * *

Topics for Further Discussion

1. What is the problem in the *Bright Tunes* case? Is the issue one of originality or authorship?

2. In copyright, two authors can legally come up with the same expression. This is different from patent law, in which rights belong only to the first inventor to file an application. What is the proof that led the court to conclude that is not what happened in this case?

3. Composer John Cage wrote several works sometimes called "chance music." In them, he included parts that would be determined by chance, relying on, for example, the flipping of coins to decide what notes would be played. One composition entitled 4'33' consisted of sitting at the piano, opening and closing the lid several times, and then leaving without playing a note. What authorship is involved in these works? What originality? How do you imagine they are "fixed"?

4. With music, one must be careful to distinguish between the composition and the recording. They are different works with different rights.

5. In 2018, Congress passed legislation to directly address new ways in which musical works are listened to. The Music Modernization Act created a mechanism for licensing compositions played on streaming services. The CLASSICS Act established royalties for artists whose recordings (created before 1972) are played on digital radio services. The AMP Act establishes royalties for producers and engineers.

* * *

Section 106 of the Copyright Act sets forth the rights to which creators are entitled. The rights are exclusive, meaning that no one else can do these things without the owner's permission:

> (1) to reproduce the copyrighted work in copies or phonorecords;
>
> (2) to prepare derivative works based upon the copyrighted work;
>
> (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
>
> (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;
>
> (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and
>
> (6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.

The essential elements of Section 106 are as follows:

1. Reproduce. This means, in simple terms, to copy the work. In other words, after the action, does at least one more copy of the work exist?

2. Derivative works. These are creations that depend on a pre-existing work. For example, a movie based on a novel is a derivative work. The movie may include many additional original elements of authorship, but the movie producer must obtain the permission of the owner of the copyright in the novel in order to use the story.

3. Perform. This means to show the work in some way. A musical composition is copyrighted through the sheet music. In other words, the sheet music is the "tangible medium of expression" through which it is "fixed." The sheet music itself, however, does not make any sounds. Someone who plays the music on an instrument is "performing" it. A radio station broadcasting the event also is "performing" the music.

4. Publicly. Performing a work for oneself is not a copyright violation. Section 101 of the statute defines "publicly" as "at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered."

Copyright protection lasts for seventy years after the death of the author. If more than one author is involved, the term is seventy years after the last of them dies. Works for hire, that is, those made under contract for an employer, endure for ninety-five years after their publication or 120 years from their creation, whichever is shorter. The copyright in such works, by the way, belongs to the employer and not the creator. The work of a staff writer for a magazine, for example, is usually work for hire. On the other hand, articles contributed by freelance writers are not. The freelance writers hold the copyrights themselves, and merely grant the magazine or newspaper permission to publish it. In *New York Times Co. v. Tasini*, 533 U.S. 483 (2001), the Supreme Court ruled that a newspaper that had purchased the right to publish an article did not have the right to allow the article to be included in a computer database. The database, the Court ruled, was different from the original newspaper and, thus, a violation of the writer's copyright.

As discussed at the beginning of the chapter, copyright is not a one-sided bargain. Authors receive economic protections in order to encourage them to continue to create works that the public can enjoy. Even before a copyright expires, the public is entitled to certain rights to what is called "fair use." The Copyright Act does not define fair use, but Section 107 does give some examples. It says that copying "for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright." From that language, it would appear that mere convenience for enjoying entertainment would not be included in fair use. The fair use categories listed all involve adding some value. Nevertheless, some fair use advocates contend that ordinary ease of use should be included, as if preventing them from taking advantage of convenience would be unfair.

Even for those activities that are within the meaning of fair use, the Act does not permit unlimited use. It says that a judgment must be made based on factors such as (1) the purpose of the use (for example, commercial or nonprofit educational); (2) the nature of the work itself; (3) the amount used as compared to the entire work (for example, the number of pages from a book); and (4) the effect the use will have on the work's potential market.

Under these standards, making copies of a complete textbook for all members of a class would not be a fair use. Although the use is educational, the copying involves the entire product and prevents the publisher from selling the textbook. Keep the fair use criteria in mind as you consider the following cases. Technology may change, but the issue remains much the same.

Sony Corp. v. Universal City Studios

464 U.S. 417 (1984)

Stevens, J.

Petitioners manufacture and sell home video tape recorders. Respondents own the copyrights on some of the television programs that are broadcast on the public airwaves. Some members of the general public use video tape recorders sold by petitioners to record some of these broadcasts, as well as a large number of other broadcasts. The question presented is whether the sale of petitioners' copying equipment to the general public violates any of the rights conferred upon respondents by the Copyright Act.

The two respondents in this action, Universal City Studios, Inc., and Walt Disney Productions, produce and hold the copyrights on a substantial number of motion pictures and other audiovisual works. In the current marketplace, they can exploit their rights in these works in a number of ways: by authorizing theatrical exhibitions, by licensing limited showings on cable and network television, by selling syndication rights for repeated airings on local television stations, and by marketing programs on prerecorded videotapes or videodiscs. Some works are suitable for exploitation through all of these avenues, while the market for other works is more limited.

Petitioner Sony manufactures millions of Betamax video tape recorders and markets these devices through numerous retail establishments.

The separate tuner in the Betamax enables it to record a broadcast off one station while the television set is tuned to another channel, permitting the viewer, for example, to watch two simultaneous news broadcasts by watching one "live" and recording the other for later viewing. Tapes may be reused, and programs that have been recorded may be erased either before or after viewing. A timer in the Betamax can be used to activate and deactivate the equipment at predetermined times, enabling an intended viewer to record programs that are transmitted when he or she is not at home. Thus a person may watch a program at home in the evening even though it was broadcast while the viewer was at work during the afternoon.

The question is thus whether the Betamax is capable of commercially significant noninfringing uses. [T]he definition of exclusive rights in [section] 106 of the present Act is prefaced by the words "subject to sections 107 through 118." Those sections describe a variety of uses of copyrighted material that "are not infringements of copyright" "notwithstanding the provisions of section 106." The most pertinent in this case is 107, the legislative endorsement of the doctrine of "fair use."

That section identifies various factors that enable a court to apply an "equitable rule of reason" analysis to particular claims of infringement. Although not conclusive, the first factor requires that "the commercial or nonprofit character of an activity" be weighed in any fair use decision. If the Betamax were used to make copies for a commercial or profitmaking purpose, such use would presumptively be unfair. The contrary presumption is appropriate here, however, because the District Court's findings plainly establish that time-shifting for private home use must be characterized as a noncommercial, nonprofit activity.

This is not, however, the end of the inquiry because Congress has also directed us to consider "the effect of the use upon the potential market for or value of the copyrighted work." The purpose of copyright is to create incentives for creative effort. Even copying for noncommercial purposes may impair the copyright holder's ability to obtain the rewards that Congress intended him to have. But a use that has no demonstrable effect upon the potential market for, or the value of, the copyrighted work need not be prohibited in order to protect the author's incentive to create. The prohibition of such noncommercial uses would merely inhibit access to ideas without any countervailing benefit.

One may search the Copyright Act in vain for any sign that the elected representatives of the millions of people who watch television every day have made it unlawful to copy a program for later viewing at home, or have enacted a flat prohibition against the sale of machines that make such copying possible. Applying the copyright statute, as it now reads, to the facts as they have been developed in this case, the judgment of the Court of Appeals must be reversed.

Blackmun, J., dissenting

The introduction of the home videotape recorder (VTR) upon the market has enabled millions of Americans to make recordings of television programs in their homes, for future and repeated viewing at their own convenience. While this practice has proved highly popular with owners of television sets and VTR's, it understandably has been a matter of concern for the holders of copyrights in the recorded programs.

It is fairly clear from the legislative history of the 1976 Act that Congress meant to change the old pattern and enact a statute that would cover new technologies, as well as old.

Sony's advertisements, at various times, have suggested that Betamax users "record favorite shows" or "build a library." Sony's Betamax advertising has never

contained warnings about copyright infringement, although a warning does appear in the Betamax operating instructions.

The Studios make the serious claim that VTR recording may result in a decrease in their revenue from licensing their works to television and from marketing them in other ways. The making of a videotape recording for home viewing is an ordinary rather than a productive use of the Studios' copyrighted works. A VTR recording creates no public benefit sufficient to justify limiting this right. Although a television broadcast may be free to the viewer, this fact is equally irrelevant; a book borrowed from the public library may not be copied any more freely than a book that is purchased.

The fourth [fair use] factor requires an evaluation of "the effect of the use upon the potential market for or value of the copyrighted work." The development of the VTR has created a new market for the works produced by the Studios. That market consists of those persons who desire to view television programs at times other than when they are broadcast, and who therefore purchase VTR recorders to enable them to time-shift. Because time-shifting of the Studios' copyrighted works involves the copying of them, however, the Studios are entitled to share in the benefits of that new market.

Like so many other problems created by the interaction of copyright law with a new technology, "[t]here can be no really satisfactory solution to the problem presented here, until Congress acts." But in the absence of a congressional solution, courts cannot avoid difficult problems by refusing to apply the law. We must "take the Copyright Act . . . as we find it," and "do as little damage as possible to traditional copyright principles . . . until the Congress legislates."

Metro-Goldwyn-Mayer Studios v. Grokster, Ltd.

545 U.S. 913 (2005)

Souter, J.

Respondents, Grokster, Ltd., and StreamCast Networks, Inc., defendants in the trial court, distribute free software products that allow computer users to share electronic files through peer-to-peer networks, so called because users' computers communicate directly with each other, not through central servers.

Other users of peer-to-peer networks include individual recipients of Grokster's and StreamCast's software, and although the networks that they enjoy through using the software can be used to share any type of digital file, they have prominently employed those networks in sharing copyrighted music and video files without authorization. A group of copyright holders sued Grokster and StreamCast for their users' copyright infringements, alleging that they knowingly and intentionally distributed their software to enable users to reproduce and distribute the copyrighted works in violation of the Copyright Act.

Although Grokster and StreamCast do not therefore know when particular files are copied, a few searches using their software would show what is available on the

was Aereo's customers, not Aereo itself, that selected the content. Thus, Aereo, he said, could not be held directly liable.

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Seltzer v. Green Day, Inc.

725 F.3d 1170 (9th Cir. 2013)

O'Scannlain, J

We must decide whether a rock band's unauthorized use of an artist's illustration in the video backdrop of its stage show was a "fair use" under copyright law.

I

Plaintiff Derek Seltzer is an artist and illustrator. In 2003, he created *Scream Icon*, a drawing of a screaming, contorted face. Seltzer made copies of *Scream Icon*, including large posters and smaller prints with adhesive backs, which he has sold and given away. Many *Scream Icon* posters have been plastered on walls as street art in Los Angeles and elsewhere.

Defendant Roger Staub is a photographer and professional set-lighting and video designer. In 2008, Staub photographed a brick wall at the corner of Sunset Boulevard and Gardner Avenue in Los Angeles which was covered in graffiti and posters — including a weathered and torn copy of *Scream Icon*. Staub found it "interesting" and saved this picture in his personal library.

Defendant Green Day is a rock band, and defendants Billie Joe Armstrong, Michael Pritchard, and Frank Wright are its musicians. Green Day has sold over 70 million records worldwide since its debut in 1987. In May of 2009, Green Day released its eighth studio album, *21st Century Breakdown*. In anticipation of the 2009–10 tour in support of this album, Green Day engaged defendant Performance Environment Design ("PED") to create the lighting, pyrotechnic effects, and video backdrops for the concert. Subsequently, PED arranged for Staub to create the video backdrops for Green Day's performances.

Staub created a video backdrop for each of the thirty-two songs on Green Day's set list. Before making these backdrops, Staub repeatedly listened to *21st Century Breakdown* and studied the album art, which uses graffiti and street art as significant visual elements. One of the songs for which Staub created a backdrop was the eighth song on the album. According to Staub, the song is about the violence that is done in the name of religion."

What Staub ultimately created for this song is the allegedly-infringing work at the heart of this case, an approximately four-minute-long video. The video depicts a brick alleyway covered in graffiti. Several days pass at an accelerated pace and graffiti artists come and go, adding new art, posters, and tags to the brick alleyway. Throughout the video, the center of the frame is dominated by an unchanging, but modified, *Scream Icon*. Staub used the photograph he had taken at Sunset and

Gardner, cut out the image of *Scream Icon* and modified it by adding a large red "spray-painted" cross over the middle of the screaming face. He also changed the contrast and color and added black streaks running down the right side of the face. Staub's image further differs from *Scream Icon* because Staub's original photograph was of a weathered, slightly defaced, and torn poster. *Scream Icon* is nonetheless clearly identifiable in the middle of the screen throughout the video.

At some point, Seltzer became aware that Green Day was using his art and on September 24, 2009 he wrote the band an e-mail alerting them to their unauthorized use stating that he would like to "work out a resolution to this issue." Apparently no resolution was possible, because on November 19, 2009, Seltzer registered a copyright in *Scream Icon*, and his counsel sent Green Day a cease-and-desist letter. Green Day subsequently stopped using the video backdrop.

II

Green Day's use of *Scream Icon* is transformative. Green Day used the original as "raw material" in the construction of the four-minute video backdrop. It is not simply a quotation or a republication; although *Scream Icon* is prominent, it remains only a component of what is essentially a street-art focused music video about religion.

The message and meaning of the original *Scream Icon* is debatable. But regardless of the meaning of the original, it clearly says nothing about religion. With the spray-painted cross, in the context of a song about the hypocrisy of religion, surrounded by religious iconography, Staub's video backdrop using *Scream Icon* conveys "new information, new aesthetics, new insights and understandings" that are plainly distinct from those of the original piece.

At Seltzer's deposition, he repeatedly testified that the value of his work was unchanged, but that he subjectively did not care for Green Day's use of his art. He admitted that no one had ever told him that he would not buy his work as a result of Green Day's use; instead, he claimed that *Scream Icon* was "tarnished" for him personally, but he did not view the piece as having lost any value.

At some point, according to Seltzer's declaration, *Scream Icon* was used in a music video by a band named "People." Seltzer provides no additional information about this licensing, including how much revenue he earned as a result, how the music video was used by the band, or how the music video used *Scream Icon*. Without further context, this fact does not suffice to show that Green Day's use harmed any existing market or a market that Seltzer was likely to develop.

Our evaluation of all four factors inclines us to the ultimate conclusion that Green Day's use of Seltzer's *Scream Icon* was fair. The purpose and character of the use was transformative and not overly commercial. The nature of the work includes its status as a widely disseminated work of street art. Green Day's use of the work was not excessive in light of its transformative purpose. And Green Day's use did not affect the value of the piece or of Seltzer's artwork in general.

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