

Copyright Law: Protection of Original Expression
Second Edition

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The following describes significant case and statutory developments since publication of the text. Section and page references are to the applicable sections and pages of the text:

§1.5: Globalization and Harmonization

Page 19 (insert after “B. Copyright Law and Culture”):

C: Constitutional Constraints on Harmonization

As noted above, the power of Congress to enact copyright laws stems from the specific constitutional grant “To promote the progress of Science and useful Arts:.” To what extent does the “purpose” clause of the grant of congressional power in Article 1, Section 8 inhibit the power to enact harmonizing legislation?

Golan v. Holder

Supreme Court of the United States, 2012
132 S.Ct. 873

Anthony T. Falzone, Thomas C. Goldstein, Amy Howe, Kevin K. Russell, Pamela S. Karlan, Julie A. Ahrens, Daniel K. Nazer, Hugh Q. Gottschalk, and Carolyn J. Fairless for Petitioners.

Donald B. Verrilli, Jr., Tony West, Malcolm L. Stewart, Melissa Arbus Sherry, William Kanter, and John S. Koppel, for Respondent.

GINSBURG, J.: The Berne Convention for the Protection of Literary and Artistic Works (Berne Convention or Berne), which took effect in 1886, is the principal accord governing international copyright relations. Latecomer to the international copyright regime launched by Berne, the United States joined the Convention in 1989. To perfect U.S. implementation of Berne, and as part of our response to the Uruguay Round of multilateral trade negotiations, Congress, in 1994, gave works enjoying copyright protection abroad the same full term of protection available to U.S. works. Congress did so in § 514 of the Uruguay Round Agreements Act (URAA), which grants copyright protection to preexisting works of Berne member countries, protected in their country of origin, but lacking protection in the United States for any of three reasons: The United States did not protect works from the country of origin at the time of publication; the United States did not protect sound recordings fixed before 1972; or the author had failed to comply with U.S. statutory formalities (formalities Congress no longer requires as prerequisites to copyright protection).

The URAA accords no protection to a foreign work after its full copyright term has expired, causing it to fall into the public domain, whether under the laws of the country of origin or of this country. Works encompassed by § 514 are granted the protection they would have enjoyed had the United States maintained copyright relations with the author’s country or removed formalities incompatible with Berne. Foreign authors, however, gain no credit for the protection they lacked in years prior to § 514’s enactment. They therefore enjoy fewer total years of exclusivity than do their U.S. counterparts. As a consequence of the barriers to U.S. copyright protection prior to the enactment of § 514, foreign works “restored” to protection by the measure had entered the public domain in this country. To cushion the impact of their placement in protected status, Congress included in § 514 ameliorating accommodations for parties who had exploited affected works before the URAA was enacted.

Petitioners include orchestra conductors, musicians, publishers, and others who formerly enjoyed free access to works § 514 removed from the public domain. They maintain that the Constitution’s Copyright and Patent Clause, Art. I, § 8, cl. 8, and First Amendment both decree the invalidity of § 514. Under those prescriptions of our highest law, petitioners assert, a work that has entered the public domain, for whatever reason, must forever remain there.

In accord with the judgment of the Tenth Circuit, we conclude that § 514 does not transgress constitutional limitations on Congress' authority. Neither the Copyright and Patent Clause nor the First Amendment, we hold, makes the public domain, in any and all cases, a territory that works may never exit.

I

Members of the Berne Union agree to treat authors from other member countries as well as they treat their own. ... Nationals of a member country, as well as any author who publishes in one of Berne's 164 member states, thus enjoy copyright protection in nations across the globe. ... Each country, moreover, must afford at least the minimum level of protection specified by Berne. The copyright term must span the author's lifetime, plus at least 50 additional years, whether or not the author has complied with a member state's legal formalities. Art. 5(2), 7(1). And, as relevant here, a work must be protected abroad unless its copyright term has expired in either the country where protection is claimed or the country of origin. ...

A different system of transnational copyright protection long prevailed in this country. Until 1891, foreign works were categorically excluded from Copyright Act protection. Throughout most of the 20th century, the only eligible foreign authors were those whose countries granted reciprocal rights to U.S. authors and whose works were printed in the United States. ...² For domestic and foreign authors alike, protection hinged on compliance with notice, registration, and renewal formalities.

The United States became party to Berne's multilateral, formality-free copyright regime in 1989. Initially, Congress adopted a "minimalist approach" to compliance with the Convention. ... The Berne Convention Implementation Act of 1988 (BCIA), ... made "only those changes to American copyright law that [were] clearly required under the treaty's provisions," BCIA House Report, at 7. Despite Berne's instruction that member countries—including "new accessions to the Union"—protect foreign works under copyright in the country of origin, ... the BCIA accorded no protection for "any work that is in the public domain in the United States," ... Protection of future foreign works, the BCIA indicated, satisfied Article 18. ... Congress indicated, however, that it had not definitively rejected "retroactive" protection for preexisting foreign works; instead it had punted on this issue of Berne's implementation, deferring consideration until "a more thorough examination of Constitutional, commercial, and consumer considerations is possible." BCIA House Report, at 51, 52.

The minimalist approach essayed by the United States did not sit well with other Berne members. While negotiations were ongoing over the North American Free Trade Agreement (NAFTA), Mexican authorities complained about the United States' refusal to grant protection, in accord with Article 18, to Mexican works that remained under copyright domestically. ...⁵ The Register of Copyrights also reported "questions" from Turkey, Egypt, and Austria. ... Thailand and Russia balked

² As noted by the Government's amici, the United States excluded foreign works from copyright not to swell the number of unprotected works available to the consuming public, but to favor domestic publishing interests that escaped paying royalties to foreign authors. ... This free-riding, according to Senator Jonathan Chace, champion of the 1891 Act, made the United States "the Barbary coast of literature" and its people "the buccaneers of books." S.Rep. No. 622, 50th Cong., 1st Sess., p. 2 (1888).

⁵ NAFTA ultimately included a limited retroactivity provision—a precursor to § 514 of the URAA—granting U.S. copyright protection to certain Mexican and Canadian films. These films had fallen into the public domain, between 1978 and 1988, for failure to meet U.S. notice requirements. ... One year later, Congress replaced this provision with the version of 17 U.S.C. § 104A at issue here. ...

at protecting U.S. works, copyrighted here but in those countries' public domains, until the United States reciprocated with respect to their authors' works. ...⁶

Berne, however, did not provide a potent enforcement mechanism. The Convention contemplates dispute resolution before the International Court of Justice. Art. 33(1). But it specifies no sanctions for noncompliance and allows parties, at any time, to declare themselves "not ... bound" by the Convention's dispute resolution provision. Art. 33(2)–(3) ... Unsurprisingly, no enforcement actions were launched before 1994. ... Although "several Berne Union Members disagreed with [our] interpretation of Article 18," the USTR told Congress, the Berne Convention did "not provide a meaningful dispute resolution process." URAA Joint Hearing 137 (statement of Shapiro). This shortcoming left Congress "free to adopt a minimalist approach and evade Article 18." Karp, Final Report, Berne Article 18 Study on Retroactive United States Copyright Protection for Berne and other Works, 20 Colum.-VLA J.L. & Arts 157, 172 (1996).

The landscape changed in 1994. The Uruguay round of multilateral trade negotiations produced the World Trade Organization (WTO) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). The United States joined both. TRIPS mandates, on pain of WTO enforcement, implementation of Berne's first 21 articles. ... The WTO gave teeth to the Convention's requirements: Noncompliance with a WTO ruling could subject member countries to tariffs or cross-sector retaliation. ... The specter of WTO enforcement proceedings bolstered the credibility of our trading partners' threats to challenge the United States for inadequate compliance with Article 18. ...⁸

Congress' response to the Uruguay agreements put to rest any questions concerning U.S. compliance with Article 18. Section 514 of the URAA, ... (codified at 17 U.S.C. § 104A, 109(a)), extended copyright to works that garnered protection in their countries of origin,¹⁰ but had no right to exclusivity in the United States for any of three reasons: lack of copyright relations between the country of origin and the United States at the time of publication; lack of subject-matter protection for sound recordings fixed before 1972; and failure to comply with U.S. statutory formalities (e.g., failure to provide notice of copyright status, or to register and renew a copyright). ...¹¹

⁶ This tension between the United States and its new Berne counter parties calls into question the dissent's assertion that, despite the 1988 Act's minimalist approach, "[t]he United States obtained the benefits of Berne for many years." ... During this six-year period, Congress had reason to doubt that U.S. authors enjoyed the full benefits of Berne membership.

⁸ Proponents of prompt congressional action urged that avoiding a trade enforcement proceeding—potentially the WTO's first—would be instrumental in preserving the United States' "reputation as a world leader in the copyright field." ... In this regard, U.S. negotiators reported that widespread perception of U.S. noncompliance was undermining our leverage in copyright negotiations. Unimpeachable adherence to Berne, Congress was told, would help ensure enhanced foreign protection, and hence profitable dissemination, for existing and future U.S. works. ...

¹⁰ Works from most, but not all, foreign countries are eligible for protection under § 514. The provision covers only works that have "at least one author or rightholder who was, at the time the work was created, a national or domiciliary of an eligible country." ... An "eligible country" includes any "nation, other than the United States, that—(A) becomes a WTO member country after the date of the enactment of the [URAA]; [or] (B) on such date of enactment is, or after such date of enactment becomes, a nation adhering to the Berne Convention." ... As noted above, ... 164 countries adhere to the Berne Convention. ...

¹¹ From the first Copyright Act until late in the 20th century, Congress conditioned copyright protection on compliance with certain statutory formalities. The most notable required an author to register her work, renew that registration, and affix to published copies notice of copyrighted status. The formalities drew criticism as a trap for the unwary. ...

In 1976, Congress eliminated the registration renewal requirement for future works. ... In 1988, it repealed the mandatory notice prerequisite. ... And in 1992, Congress made renewal automatic for works still in their first term of protection. ... The Copyright Act retains, however, incentives for authors to register their works and provide notice of the works' copyrighted status. See, e.g., 17 U.S.C. § 405(b) (precluding actual and statutory damages against "innocent infringers" of a work that lacked notice of copyrighted status); § 411(a) (requiring registration of U.S. "work[s]," but not foreign works, before an owner may sue for infringement). The revisions successively made accord with Berne Convention Article 5(2), which proscribes application of copyright formalities to foreign authors. Berne, however, affords domestic authors no escape from domestic formalities. See Art. 5(3) (protection within country of origin is a matter of domestic law).

Works that have fallen into the public domain after the expiration of a full copyright term—either in the United States or the country of origin—receive no further protection under § 514. ... Copyrights "restored"¹³ under URAA § 514 "subsist for the remainder of the term of copyright that the work would have otherwise been granted ... if the work never entered the public domain." ... Prospectively, restoration places foreign works on an equal footing with their U.S. counterparts; assuming a foreign and domestic author died the same day, their works will enter the public domain simultaneously. ... Restored works, however, receive no compensatory time for the period of exclusivity they would have enjoyed before § 514's enactment, had they been protected at the outset in the United States. Their total term, therefore, falls short of that available to similarly situated U.S. works.

The URAA's disturbance of the public domain hardly escaped Congress' attention. Section 514 imposed no liability for any use of foreign works occurring before restoration. In addition, anyone remained free to copy and use restored works for one year following § 514's enactment. ... Concerns about § 514's compatibility with the Fifth Amendment's Takings Clause led Congress to include additional protections for "reliance parties"—those who had, before the URAA's enactment, used or acquired a foreign work then in the public domain. ... Reliance parties may continue to exploit a restored work until the owner of the restored copyright gives notice of intent to enforce—either by filing with the U.S. Copyright Office within two years of restoration, or by actually notifying the reliance party. ... After that, reliance parties may continue to exploit existing copies for a grace period of one year. ... Finally, anyone who, before the URAA's enactment, created a "derivative work" based on a restored work may indefinitely exploit the derivation upon payment to the copyright holder of "reasonable compensation," to be set by a district judge if the parties cannot agree. ...

B

In 2001, petitioners filed this lawsuit challenging § 514. They maintain that Congress, when it passed the URAA, exceeded its authority under the Copyright Clause and transgressed First Amendment limitations. The District Court granted the Attorney General's motion for summary judgment. ... In rejecting petitioners' Copyright Clause argument, the court stated that Congress "has historically demonstrated little compunction about removing copyrightable materials from the public domain." ... The court next declined to part from "the settled rule that private censorship via copyright enforcement does not implicate First Amendment concerns." ...

The Court of Appeals for the Tenth Circuit affirmed in part. ... The public domain, it agreed, was not a "threshold that Congress" was powerless to "traverse in both directions." ... But § 514, as the Court of Appeals read our decision in *Eldred v. Ashcroft*, 537 U.S. 186 (2003), required further

¹³ Restoration is a misnomer insofar as it implies that all works protected under § 104A previously enjoyed protection. Each work in the public domain because of lack of national eligibility or subject-matter protection, and many that failed to comply with formalities, never enjoyed U.S. copyright protection. ...

First Amendment inspection The measure “altered the traditional contours of copyright protection,” the court said—specifically, the “bedrock principle” that once works enter the public domain, they do not leave. ... (quoting Eldred ...). The case was remanded with an instruction to the District Court to address the First Amendment claim in light of the Tenth Circuit’s opinion.

On remand, the District Court’s starting premise was uncontested: Section 514 does not regulate speech on the basis of its content; therefore the law would be upheld if “narrowly tailored to serve a significant government interest.” ... Summary judgment was due petitioners, the court concluded, because § 514’s constriction of the public domain was not justified by any of the asserted federal interests: compliance with Berne, securing greater protection for U.S. authors abroad, or remediation of the inequitable treatment suffered by foreign authors whose works lacked protection in the United States. ...

The Tenth Circuit reversed. Deferring to Congress’ predictive judgments in matters relating to foreign affairs, the appellate court held that § 514 survived First Amendment scrutiny. Specifically, the court determined that the law was narrowly tailored to fit the important government aim of protecting U.S. copyright holders’ interests abroad.

We granted certiorari to consider petitioners’ challenge to § 514 under both the Copyright Clause and the First Amendment, ... and now affirm.

II

We first address petitioners’ argument that Congress lacked authority, under the Copyright Clause, to enact § 514. The Constitution states that “Congress shall have Power ... [t]o promote the Progress of Science ... by securing for limited Times to Authors ... the exclusive Right to their ... Writings.” Art. I, § 8, cl. 8. Petitioners find in this grant of authority an impenetrable barrier to the extension of copyright protection to authors whose writings, for whatever reason, are in the public domain. We see no such barrier in the text of the Copyright Clause, historical practice, or our precedents.

A

The text of the Copyright Clause does not exclude application of copyright protection to works in the public domain. ... Petitioners’ contrary argument relies primarily on the Constitution’s confinement of a copyright’s lifespan to a “limited Tim[e].” “Removing works from the public domain,” they contend, “violates the ‘limited [t]imes’ restriction by turning a fixed and predictable period into one that can be reset or resurrected at any time, even after it expires.” ...

Our decision in *Eldred* is largely dispositive of petitioners’ limited-time argument. There we addressed the question whether Congress violated the Copyright Clause when it extended, by 20 years, the terms of existing copyrights. ... Ruling that Congress acted within constitutional bounds, we declined to infer from the text of the Copyright Clause “the command that a time prescription, once set, becomes forever ‘fixed’ or ‘inalterable.’” ... “The word ‘limited,’ ” we observed, “does not convey a meaning so constricted.” ... Rather, the term is best understood to mean “confine[d] within certain bounds,” “restrain [ed],” or “circumscribed.” ... The construction petitioners tender closely resembles the definition rejected in *Eldred* and is similarly infirm.

The terms afforded works restored by § 514 are no less “limited” than those the CTEA lengthened. In light of *Eldred*, petitioners do not here contend that the term Congress has granted U.S. authors—their lifetimes, plus 70 years—is unlimited. Nor do petitioners explain why terms of the same duration, as applied to foreign works, are not equally “circumscribed” and “confined.” ... Indeed, as earlier noted, ... the copyrights of restored foreign works typically last for fewer years than those of their domestic counterparts.

The difference, petitioners say, is that the limited time had already passed for works in the public domain. What was that limited term for foreign works once excluded from U.S. copyright protection? Exactly “zero,” petitioners respond. ... We find scant sense in this argument, for surely a “limited time” of exclusivity must begin before it may end.

Carried to its logical conclusion, petitioners persist, the Government’s position would allow Congress to institute a second “limited” term after the first expires, a third after that, and so on. Thus, as long as Congress legislated in installments, perpetual copyright terms would be achievable. As in *Eldred*, the hypothetical legislative misbehavior petitioners posit is far afield from the case before us. ... In aligning the United States with other nations bound by the Berne Convention, and thereby according equitable treatment to once disfavored foreign authors, Congress can hardly be charged with a design to move stealthily toward a regime of perpetual copyrights.

B

Historical practice corroborates our reading of the Copyright Clause to permit full U.S. compliance with Berne. Undoubtedly, federal copyright legislation generally has not affected works in the public domain. Section 514’s disturbance of that domain, petitioners argue, distinguishes their suit from *Eldred*’s. In adopting the CTEA, petitioners note, Congress acted in accord with “an unbroken congressional practice” of granting pre-expiration term extensions No comparable practice, they maintain, supports § 514.

On occasion, however, Congress has seen fit to protect works once freely available. Notably, the Copyright Act of 1790 granted protection to many works previously in the public domain. ... Before the Act launched a uniform national system, three States provided no statutory copyright protection at all. Of those that did afford some protection, seven failed to protect maps; eight did not cover previously published books; and all ten denied protection to works that failed to comply with formalities. The First Congress, it thus appears, did not view the public domain as inviolate. As we have recognized, the “construction placed upon the Constitution by [the drafters of] the first [copyright] act of 1790 and the act of 1802 ... men who were contemporary with [the Constitution’s] formation, many of whom were members of the convention which framed it, is of itself entitled to very great weight.” *Burrow–Giles Lithographic Co. v. Sarony*, 111 U.S. 53, 57 (1884).

Subsequent actions confirm that Congress has not understood the Copyright Clause to preclude protection for existing works. Several private bills restored the copyrights of works that previously had been in the public domain. ... These bills were unchallenged in court.

Analogous patent statutes, however, were upheld in litigation. ...

Congress has also passed generally applicable legislation granting patents and copyrights to inventions and works that had lost protection. ...

...

Installing a federal copyright system and ameliorating the interruptions of global war, it is true, presented Congress with extraordinary situations. Yet the TRIPS accord, leading the United States to comply in full measure with Berne, was also a signal event. ... Given the authority we hold Congress has, we will not second-guess the political choice Congress made between leaving the public domain untouched and embracing Berne unstintingly. ...

C

Petitioners’ ultimate argument as to the Copyright and Patent Clause concerns its initial words. Congress is empowered to “promote the Progress of Science and useful Arts” by enacting systems of copyright and patent protection. ... Perhaps counterintuitively for the contemporary reader, Congress’

copyright authority is tied to the progress of science; its patent authority, to the progress of the useful arts. ...

The “Progress of Science,” petitioners acknowledge, refers broadly to “the creation and spread of knowledge and learning.” ... They nevertheless argue that federal legislation cannot serve the Clause’s aim unless the legislation “spur[s] the creation of ... new works.” ... Because § 514 deals solely with works already created, petitioners urge, it “provides no plausible incentive to create new works” and is therefore invalid. ...²⁵

The creation of at least one new work, however, is not the sole way Congress may promote knowledge and learning. In *Eldred*, we rejected an argument nearly identical to the one petitioners rehearse [and] we held that the Copyright Clause does not demand that each copyright provision, examined discretely, operate to induce new works. Rather, we explained, the Clause “empowers Congress to determine the intellectual property regimes that, overall, in that body’s judgment, will serve the ends of the Clause.” ... And those permissible ends, we held, extended beyond the creation of new works. ...²⁶

Even were we writing on a clean slate, petitioners’ argument would be unavailing. Nothing in the text of the Copyright Clause confines the “Progress of Science” exclusively to “incentives for creation.” ... Evidence from the founding, moreover, suggests that inducing dissemination—as opposed to creation—was viewed as an appropriate means to promote science. ... Until 1976, in fact, Congress made “federal copyright contingent on publication [,] [thereby] providing incentives not primarily for creation,” but for dissemination. ... Our decisions correspondingly recognize that “copyright supplies the economic incentive to create and disseminate ideas.” *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 558 (1985) (emphasis added). ...²⁷

Considered against this backdrop, § 514 falls comfortably within Congress’ authority under the Copyright Clause. Congress rationally could have concluded that adherence to Berne “promotes the diffusion of knowledge,” ... A well-functioning international copyright system would likely encourage the dissemination of existing and future works. ... Full compliance with Berne, Congress had reason to believe, would expand the foreign markets available to U.S. authors and invigorate protection against piracy of U.S. works abroad, ... thereby benefitting copyright-intensive industries stateside and inducing greater investment in the creative process.

The provision of incentives for the creation of new works is surely an essential means to advance the spread of knowledge and learning. We hold, however, that it is not the sole means Congress may

²⁵ But see Brief for Motion Picture Association of America as Amicus Curiae 27 (observing that income from existing works can finance the creation and publication of new works); *Eldred* ... (noting that Noah Webster “supported his entire family from the earnings on his speller and grammar during the twenty years he took to complete his dictionary” ...)

²⁶ The dissent also suggests, more tentatively, that at least where copyright legislation extends protection to works previously in the public domain, Congress must counterbalance that restriction with new incentives to create. ... Even assuming the public domain were a category of constitutional significance, ... we would not understand “the Progress of Science” to have this contingent meaning.

²⁷ That the same economic incentives might also induce the dissemination of futons, fruit, or Bibles [referring to the dissent], is no answer to this evidence that legislation furthering the dissemination of literary property has long been thought a legitimate way to “promote the Progress of Science.”

use “[t]o promote the Progress of Science.” ...²⁸ Congress determined that exemplary adherence to Berne would serve the objectives of the Copyright Clause. We have no warrant to reject the rational judgment Congress made.

III

A

We next explain why the First Amendment does not inhibit the restoration authorized by § 514. To do so, we first recapitulate the relevant part of our pathmarking decision in *Eldred*. The petitioners in *Eldred*, like those here, argued that Congress had violated not only the “limited Times” prescription of the Copyright Clause. In addition, and independently, the *Eldred* petitioners charged, Congress had offended the First Amendment’s freedom of expression guarantee. The CTEA’s 20-year enlargement of a copyright’s duration, we held in *Eldred*, offended neither provision.

Concerning the First Amendment, we recognized that some restriction on expression is the inherent and intended effect of every grant of copyright. Noting that the “Copyright Clause and the First Amendment were adopted close in time,” ... we observed that the Framers regarded copyright protection not simply as a limit on the manner in which expressive works may be used. They also saw copyright as an “engine of free expression[.] By establishing a marketable right to the use of one’s expression, copyright supplies the economic incentive to create and disseminate ideas.” ...

We then described the “traditional contours” of copyright protection, i.e., the “idea/expression dichotomy” and the “fair use” defense.²⁹ Both are recognized in our jurisprudence as “built-in First Amendment accommodations.” *Eldred*, 537 U.S., at 219; see *Harper & Row*, 471 U.S., at 560 (First Amendment protections are “embodied in the Copyright Act’s distinction between copyrightable expression and uncopyrightable facts and ideas,” and in the “latitude for scholarship and comment” safeguarded by the fair use defense).

The idea/expression dichotomy is codified at 17 U.S.C. § 102(b): “In no case does copyright protec[t] ... any idea, procedure, process, system, method of operation, concept, principle, or discovery ... described, explained, illustrated, or embodied in [the copyrighted] work.” “Due to this [idea/expression] distinction, every idea, theory, and fact in a copyrighted work becomes instantly available for public exploitation at the moment of publication”; the author’s expression alone gains copyright protection. ...

The second “traditional contour,” the fair use defense, is codified at 17 U.S.C. § 107: “[T]he fair use of a copyrighted work, including such use by reproduction in copies ..., for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright.” This limitation on exclusivity “allows the public to use not only facts and ideas contained in a copyrighted work, but also [the author’s] expression itself in certain circumstances.” *Eldred*, 537 U.S., at 219

²⁸ The dissent suggests that the “utilitarian view of copyrih[t]” embraced by Jefferson, Madison, and our case law sets us apart from continental Europe and inhibits us from harmonizing our copyright laws with those of countries in the civil-law tradition. ... For persuasive refutation of that suggestion, see Austin, *Does the Copyright Clause Mandate Isolationism?* 26 *Colum. J.L. & Arts* 17, 59 (2002) (cautioning against “an isolationist reading of the Copyright Clause that is in tension with ... America’s international copyright relations over the last hundred or so years”).

²⁹ On the initial appeal in this case, the Tenth Circuit gave an unconfined reading to our reference in *Eldred* to “traditional contours of copyright.” ... That reading was incorrect, as we here clarify.

Given the “speech-protective purposes and safeguards” embraced by copyright law, ... we concluded in *Eldred* that there was no call for the heightened review petitioners sought in that case. We reach the same conclusion here. Section 514 leaves undisturbed the “idea/expression” distinction and the “fair use” defense. Moreover, Congress adopted measures to ease the transition from a national scheme to an international copyright regime: It deferred the date from which enforcement runs, and it cushioned the impact of restoration on “reliance parties” who exploited foreign works denied protection before § 514 took effect. ...

B

Petitioners attempt to distinguish their challenge from the one turned away in *Eldred*. First Amendment interests of a higher order are at stake here, petitioners say, because they—unlike their counterparts in *Eldred*—enjoyed “vested rights” in works that had already entered the public domain. The limited rights they retain under copyright law’s “built-in safeguards” are, in their view, no substitute for the unlimited use they enjoyed before § 514’s enactment. Nor, petitioners urge, does § 514’s “unprecedented” foray into the public domain possess the historical pedigree that supported the term extension at issue in *Eldred*. ...

However spun, these contentions depend on an argument we considered and rejected above, namely, that the Constitution renders the public domain largely untouchable by Congress. Petitioners here attempt to achieve under the banner of the First Amendment what they could not win under the Copyright Clause: On their view of the Copyright Clause, the public domain is inviolable; as they read the First Amendment, the public domain is policed through heightened judicial scrutiny of Congress’ means and ends. As we have already shown,... the text of the Copyright Clause and the historical record scarcely establish that “once a work enters the public domain,” Congress cannot permit anyone—“not even the creator—[to] copyright it,” 501 F.3d, at 1184. And nothing in the historical record, congressional practice, or our own jurisprudence warrants exceptional First Amendment solicitude for copyrighted works that were once in the public domain. Neither this challenge nor that raised in *Eldred*, we stress, allege Congress transgressed a generally applicable First Amendment prohibition; we are not faced, for example, with copyright protection that hinges on the author’s viewpoint.

The Tenth Circuit’s initial opinion determined that petitioners marshaled a stronger First Amendment challenge than did their predecessors in *Eldred*, who never “possessed unfettered access to any of the works at issue.” ... As petitioners put it in this Court, Congress impermissibly revoked their right to exploit foreign works that “belonged to them” once the works were in the public domain.

...

To copyright lawyers, the “vested rights” formulation might sound exactly backwards: Rights typically vest at the outset of copyright protection, in an author or rightholder. ... Once the term of protection ends, the works do not re-vest in any rightholder. Instead, the works simply lapse into the public domain. ... Anyone has free access to the public domain, but no one, after the copyright term has expired, acquires ownership rights in the once-protected works.

Congress recurrently adjusts copyright law to protect categories of works once outside the law’s compass. For example, Congress broke new ground when it extended copyright protection to foreign works in 1891...; to dramatic works in 1856 ...; to photographs and photographic negatives in 1865 ...; to motion pictures in 1912 ...; to fixed sound recordings in 1972 ...; and to architectural works in 1990 ... And on several occasions, as recounted above, Congress protected works previously in the public domain, hence freely usable by the public. ... If Congress could grant protection to these works without hazarding heightened First Amendment scrutiny, then what free speech principle disarms

it from protecting works prematurely cast into the public domain for reasons antithetical to the Berne Convention?³³

Section 514, we add, does not impose a blanket prohibition on public access. Petitioners protest that fair use and the idea/expression dichotomy “are plainly inadequate to protect the speech and expression rights that Section 514 took from petitioners, or ... the public”—that is, “the unrestricted right to perform, copy, teach and distribute the entire work, for any reason.” ...

But Congress has not put petitioners in this bind. The question here, as in *Eldred*, is whether would-be users must pay for their desired use of the author’s expression, or else limit their exploitation to “fair use” of that work. Prokofiev’s *Peter and the Wolf* could once be performed free of charge; after § 514 the right to perform it must be obtained in the marketplace. This is the same marketplace, of course, that exists for the music of Prokofiev’s U.S. contemporaries: works of Copland and Bernstein, for example, that enjoy copyright protection, but nevertheless appear regularly in the programs of U.S. concertgoers.

Before we joined Berne, domestic works and some foreign works were protected under U.S. statutes and bilateral international agreements, while other foreign works were available at an artificially low (because royalty-free) cost. By fully implementing Berne, Congress ensured that most works, whether foreign or domestic, would be governed by the same legal regime. The phenomenon to which Congress responded is not new: Distortions of the same order occurred with greater frequency—and to the detriment of both foreign and domestic authors—when, before 1891, foreign works were excluded entirely from U.S. copyright protection. ... Section 514 continued the trend toward a harmonized copyright regime by placing foreign works in the position they would have occupied if the current regime had been in effect when those works were created and first published. Authors once deprived of protection are spared the continuing effects of that initial deprivation; § 514 gives them nothing more than the benefit of their labors during whatever time remains before the normal copyright term expires.

Unlike petitioners, the dissent makes much of the so-called “orphan works” problem. ... We readily acknowledge the difficulties would-be users of copyrightable materials may face in identifying or locating copyright owners. ... But as the dissent concedes, ... this difficulty is hardly peculiar to works restored under § 514. It similarly afflicts, for instance, U.S. libraries that attempt to catalogue U.S. books. ...

Nor is this a matter appropriate for judicial, as opposed to legislative, resolution. ... Indeed, the host of policy and logistical questions identified by the dissent speak for themselves. ... Despite “longstanding efforts,” ... Congress has not yet passed ameliorative orphan-works legislation of the sort enacted by other Berne members Heretofore, no one has suggested that the orphan-works issue should be addressed through our implementation of Berne, rather than through overarching legislation of the sort proposed in Congress and cited by the dissent. ... Our unstinting adherence to Berne may add impetus to calls for the enactment of such legislation. But resistance to Berne’s prescriptions surely is not a necessary or proper response to the pervasive question, what should Congress do about orphan works.

IV

³³ It was the Fifth Amendment’s Takings Clause—not the First Amendment—that Congress apparently perceived to be a potential check on its authority to protect works then freely available to the public. ... The reliance-party protections supplied by § 514, ... were meant to address such concerns. ...

Congress determined that U.S. interests were best served by our full participation in the dominant system of international copyright protection. Those interests include ensuring exemplary compliance with our international obligations, securing greater protection for U.S. authors abroad, and remedying unequal treatment of foreign authors. The judgment § 514 expresses lies well within the ken of the political branches. It is our obligation, of course, to determine whether the action Congress took, wise or not, encounters any constitutional shoal. For the reasons stated, we are satisfied it does not. The judgment of the Court of Appeals for the Tenth Circuit is therefore Affirmed.

[Justice Breyer, with Justice Alito, dissented, as discussed in the above majority opinion.]

§2.2, A, 2: The Subject Matter of Copyright —Writing

Page 31 (insert before “3. Photographs”):

See *Kelley v. Chicago Park Dist.*, 635 F.3d 290 (7th Cir.), cert. denied, 132 S.Ct. 380 (2011), in which the court held that “Wildflower Works,” a work of “living art,” in the form of a wildflower garden, was a not a copyrightable “writing”:

The real impediment to copyright here is not that Wildflower Works fails the test for originality (understood as “not copied” and “possessing some creativity”) but that a living garden lacks the kind of authorship and stable fixation normally required to support copyright. Unlike originality, authorship and fixation are explicit constitutional requirements; the Copyright Clause empowers Congress to secure for “authors” exclusive rights in their “writings.” ... The originality requirement is implicit in these express limitations on the congressional copyright power. ...

“Without fixation,” moreover, “there cannot be a ‘writing.’” The Nimmer treatise elaborates:

Fixation in tangible form is not merely a statutory condition to copyright. It is also a constitutional necessity. That is, unless a work is reduced to tangible form it cannot be regarded as a “writing” within the meaning of the constitutional clause authorizing federal copyright legislation. Thus, certain works of conceptual art stand outside of copyright protection.

Finally, “authorship is an entirely human endeavor.” ... Authors of copyrightable works must be human; works owing their form to the forces of nature cannot be copyrighted. ...; see also U.S. Copyright Office, *Compendium II: Copyright Office Practices* § 503.03(a) (“[A] work must be the product of human authorship” and not the forces of nature.) (1984); *id.* § 202.02(b).

Recognizing copyright in Wildflower Works presses too hard on these basic principles. We fully accept that the artistic community might classify Kelley’s garden as a work of postmodern conceptual art. We acknowledge as well that copyright’s prerequisites of authorship and fixation are broadly defined. But the law must have some limits; not all conceptual art may be copyrighted. In the ordinary copyright case, authorship and fixation are not contested; most works presented for copyright are unambiguously authored and unambiguously fixed. But this is not an ordinary case. A living garden like Wildflower Works is neither “authored” nor “fixed” in the senses required for copyright. ...

Simply put, gardens are planted and cultivated, not authored. A garden’s constituent elements are alive and inherently changeable, not fixed. Most of what we see and experience in a garden—the colors, shapes, textures, and scents of the plants—originates in nature, not in the mind of the gardener. At any given moment in time, a garden owes most of its form

and appearance to natural forces, though the gardener who plants and tends it obviously assists. All this is true of Wildflower Works, even though it was designed and planted by an artist.

Of course, a human “author”—whether an artist, a professional landscape designer, or an amateur backyard gardener—determines the initial arrangement of the plants in a garden. This is not the kind of authorship required for copyright. To the extent that seeds or seedlings can be considered a “medium of expression,” they originate in nature, and natural forces—not the intellect of the gardener—determine their form, growth, and appearance. Moreover, a garden is simply too changeable to satisfy the primary purpose of fixation; its appearance is too inherently variable to supply a baseline for determining questions of copyright creation and infringement. If a garden can qualify as a “work of authorship” sufficiently “embodied in a copy,” at what point has fixation occurred? When the garden is newly planted? When its first blossoms appear? When it is in full bloom? How—and at what point in time—is a court to determine whether infringing copying has occurred?

In contrast, when a landscape designer conceives of a plan for a garden and puts it in writing—records it in text, diagrams, or drawings on paper or on a digital-storage device—we can say that his intangible intellectual property has been embodied in a fixed and tangible “copy.” This writing is a sufficiently permanent and stable copy of the designer’s intellectual expression and is vulnerable to infringing copying, giving rise to the designer’s right to claim copyright. The same cannot be said of a garden, which is not a fixed copy of the gardener’s intellectual property. Although the planting material is tangible and can be perceived for more than a transitory duration, it is not stable or permanent enough to be called “fixed.” Seeds and plants in a garden are naturally in a state of perpetual change; they germinate, grow, bloom, become dormant, and eventually die. This life cycle moves gradually, over days, weeks, and season to season, but the real barrier to copyright here is not temporal but essential. The essence of a garden is its vitality, not its fixedness. It may endure from season to season, but its nature is one of dynamic change.

We are not suggesting that copyright attaches only to works that are static or fully permanent (no medium of expression lasts forever), or that artists who incorporate natural or living elements in their work can never claim copyright. ...

§2.2, B, 2: Originality in Derivative Works

Page 47 (substitute for the third and fourth paragraphs):

See also *Norma Ribbon & Trimming, Inc. v. Little*, 51 F.3d 45 (5th Cir. 1995), reaffirming the proposition that for a work based on public domain works to be protected it must contribute “a distinguishable variation from the older works” and that a “distinguishable variation must be substantial and not merely trivial.” Similarly, the Tenth Circuit has held that a wooden version of the traditional paper doll is not a protectable derivative work. *Country Kids ’N’ City Slicks, Inc. v. Sheen*, 77 F.3d 1280 (10th Cir. 1996). The Ninth Circuit has expressly adopted the Second Circuit approach to copyrightability of derivative works, citing *Durham Industries* with approval. *U.S. Auto Parts Network, Inc. v. Parts Geek, LLC*, 692 F.3d 1009 (9th Cir. 2012) (“We have adopted the Second Circuit’s test for ascertaining whether a derivative work meets copyright law’s fundamental requirement of originality”). Conversely, perhaps, the Copyright Office has decided that “colorized” motion pictures (i.e., black and white original motion pictures to which color has been applied) may be registered as derivative works if the colorizing amounts to more than “a trivial variation.” On balance, *Batlin*, the opinions in the years following it, and the Supreme Court’s strong rejection, in

Feist, of effort alone, or “sweat of the brow,” as a substitute for originality, have effectively isolated, if not overruled, the earlier approach to copyrightability of derivative works.

As noted above, one who creates a derivative work based upon a copyrighted work without the consent of the copyright owner is an infringer. Even if that derivative work has the requisite degree of creativity for protection, it will not be so protected; the infringer will have no rights in the derivative work. See *U.S. Auto Parts Network, Inc. v. Parts Geek, LLC*, 692 F.3d 1009 (9th Cir. 2012) (“a derivative author may own the copyright in material the author contributed to a preexisting work, but not in infringing material or material the author did not create; *Mulcahy v. Cheetah Learning LLC*, 386 F.3d 849 (8th Cir. 2004) (“because the owner of the original copyright has the exclusive right to prepare derivative works, the creator of an original derivative work is only entitled to a copyright if she had permission to use the underlying copyrighted work”). A sound recording of a copyrighted musical work is a derivative work. (See *Bridgeport Music, Inc. v. Dimension Films*, 410 F.3d 792 (6th Cir. 2005)). The creator of such a sound recording who makes the recording without permission of the copyright owner of the musical work may not assert a copyright interest in that sound recording. *Palladium Music, Inc. v. Eatsleepmusic, Inc.*, 398 F.3d 1193 (10th Cir. 2005): “Palladium’s sound recordings are derivative works, and its copyrights in the sound recordings are invalid and unenforceable because it has failed to obtain compulsory or consensual licenses from the copyright owners of the underlying musical compositions”

§2.3, A: Generally, The Idea/Expression Dichotomy

Page 60 (insert before “Note”):

In *Baby Buddies, Inc. v. Toys “R” US, Inc.*, 611 F.3d 1308 (11th Cir. 2010), the court follows the Mattel detailed analytic model in finding no similarity of copyrightable features between two teddy-bear shaped pacifier holders:

... *Baby Buddies*’s copyright does not protect the general features of its bear; rather, the copyright protects the particular ways in which those general features or ideas are expressed. Accordingly, we examine the particularized expression of the two bears.

Both bears have two rounded ears with depressions in the center of the ears. If the bears’ heads were clockfaces, the ears would be placed at the 1:30 and 10:30 positions on both bears. But, as mentioned, ears are an essential feature for a teddy bear, so there is nothing original in including them, especially in roughly the anatomically correct position on the bear’s head. Nor is there anything original in portraying the concave portion of an ear with a simple depression. This is a common way to portray ears on a teddy bear (and ears in general), and *Baby Buddies* cannot use copyright law to obtain exclusive rights over such a depiction. Moreover, there are differences in the ways the ears are portrayed on the bears. The *Baby Buddies* bear’s ears are entirely white, whereas the *Toys R Us* bear’s ears are white with pink centers, and the *Toys R Us* bear’s ears are larger than the *Baby Buddies* bear’s ears.

The bears’ faces are likewise different in their expressive features—although both have dots representing eyes and a nose and a sculpted mouth, those features in and of themselves are not protected because they too are necessary to convey the very idea of a teddy bear. Indeed, at the level of protected expression, the authors represent those features in noticeably different ways. The *Baby Buddies* bear has three identical black dots that represent the eyes and nose; the *Toys R Us* bear has two larger, golden dots representing the eyes and a still larger golden dot representing its nose. The *Baby Buddies* bear’s eyes are positioned on the top third of the bear’s face and are spaced more widely apart from each other and from the nose than are the *Toys R Us* bear’s eyes, which sit on the vertical center of the face. This positioning gives the *Toys R Us* *1319 bear’s face a cramped appearance. Both bears have cheeks that protrude

from the face, but the Baby Buddies bear's cheeks are separated from each other by a raised muzzle. The Toys R Us bear lacks a distinct muzzle and instead has one continuous, raised feature generally representing its cheeks and muzzle. The Toys R Us bear has a simple line in the shape of an upturned smile carved into the raised portion representing its cheeks. The Baby Buddies bear has a distinct lower lip carved below the muzzle, forming a partly open, smiling mouth.

The bears' bodies are also distinct in their expressive elements. While both bears have upper and lower paws attached to a torso, those features are standard to the idea of a teddy bear and not themselves protectable. The Baby Buddies bear's torso is all white and is curved such that the bear appears to have a "pot belly." The Toys R Us bear's torso is flatter and features a red heart set against a white background. The Baby Buddies bear's upper paws face inward and fold over and rest on its stomach. The paws are entirely white and each has two notches carved into it, creating three digits representing the bear's toes. A close look reveals a raised sculpted element near the bear's shoulder, which represents the part of the leg above the joint. The Toys R Us bear has two white circles representing its upper paws. They stick outward from the bear's sides, rather than resting on the bear's stomach; they face outward, not inward; and instead of carved notches, they have three small gold dots representing either the bear's toes or claws and a slightly larger dot representing the pad of the foot. The Toys R Us bear's upper paws lack anything representing a joint. The Baby Buddies bear's lower paws face outward as though the bear were seated with its legs sticking straight out toward the viewer. The paws again have two notches carved into each of them, creating three toes on each lower paw. The toes also appear to be curling inward. Each lower paw has a raised surface representing the pad of the paw, which is the same aquamarine color as the ribbon used in the pacifier holder. The Toys R Us bear's lower paws lack the detail found on the Baby Buddies bear's paws. The Toys R Us bear's lower paws, like its upper paws, are simple white circles with three gold dots representing toes or claws and a slightly larger gold dot representing the pad. The circles representing the paws extend out to the side of and below the bear's torso, which makes it unclear whether the Toys R Us bear is seated with its paws facing out toward the viewer or is standing with its toes represented in a fanciful, anatomically incorrect position.

The Baby Buddies bear measures approximately one-and-one-quarter inches tall, whereas the Toys R Us bear is approximately one-and-one-half inches tall—a noticeable difference at this scale. The Baby Buddies bear is a flatter shade of white, whereas the Toys R Us bear appears glossy.

Overall, these features combine to create distinctly different bears from an aesthetic perspective. The Baby Buddies bear is smaller, is more finely sculpted, and has more clearly defined anatomical features such as a muzzle, toes, and paw pads, giving it a more refined appearance overall. The Toys R Us bear, with its larger size, fewer details, and cruder representations of anatomical features, has a distinctly abstract, cartoon-like, and almost bloated appearance. No properly instructed juror could find these bears substantially similar.

...

Baby Buddies is trying to invoke the protection of the copyright laws to prevent a competitor from using the idea of putting a sculpted teddy bear and a color-coordinated bow on a ribbon tether to create an aesthetically appealing pacifier holder. But this type of creative competition is entirely consistent with the copyright laws. Baby Buddies has the right to prevent others from copying its creative expression, but not from expressing similar ideas

differently. If Baby Buddies ... has found the most appealing way to express its idea, the marketplace will reward it accordingly.

In the following opinion, the Tenth Circuit elaborates on “substantial similarity” and builds on Mattel and Baby Buddies and engages in a detailed “dissection” analysis reminiscent of Learned Hand, in separating “expression” from unprotected “idea.”

Blehm v. Jacobs

Un[ited States Court of Appeals, Tenth Circuit, 2012
702 F.3d 1193

Conor F. Farley and Stephen G. Masciocchi, for Appellant.

Natalie Hanlon–Leh, Jared B. Briant, Joel D. Sayres, and Katie R. Schwalb, for Appellee.

MATHESON, J.: Appellant Gary Blehm brought this copyright infringement action against brothers Albert and John Jacobs and the Life is Good Company (collectively “Life is Good”). Mr. Blehm is the creator of copyrighted posters featuring cartoon characters called “Penmen.” He contends that numerous Life is Good depictions of a cartoon character called “Jake” infringe on his copyrighted works. The district court granted Life is Good’s motion for summary judgment, holding that no infringement occurred because the copyrighted and accused works are not substantially similar. [W]e affirm

I. BACKGROUND

A. Factual Background

1. Development and Distribution of Mr. Blehm’s Copyrighted Works

Mr. Blehm is a commercial artist who lives in Colorado Springs, Colorado. In the late 1980’s, he developed characters called “Penmen.” According to Mr. Blehm, each Penman is “a deceptively-simple looking figure” that “engage[s] in a variety of activities pulled directly from [his] colorful life experiences.” ... The Penmen have “round heads, disproportionately large half-moon smiles, four fingers, large feet, disproportionately long legs, and a message of unbridled optimism.” ... Below is an example of a Penman.



The Penmen are a product of Mr. Blehm’s commercial art training. Through his training, Mr. Blehm learned how to “add a slight bend to a figure’s limb to show weight bearing into it” and how, as he puts it, to apply negative space. ... Eventually, Mr. Blehm developed rules and guidelines for drawing each Penman. These rules and guidelines include a specific shape for each Penman’s head, specific length and height requirements for each character, rules on fluidity and perspective, and the “Penmen parallel curve,” which Mr. Blehm employs to “create eye-pleasing shapes within the negative space.” ...

Between 1989 and 1993, Mr. Blehm developed six posters featuring Penmen and registered them with the U.S. Copyright Office (the “copyrighted works”). Each poster contains hundreds of black-and-white Penmen in a variety of poses. The Penmen are arranged on the posters in multiple rows with consistent spacing. Many of the characters interact with one another, and some have only slight differences. The posters, some of which have golf or galactic themes, challenge purchasers to find identical Penmen within each poster.

In 1990, Mr. Blehm began selling his posters to distributors. From 1990 to 2004, Prints Plus sold his posters nationally. Prints Plus stores in the Cambridge-side Galleria and the Emerald Square Mall, both in the Boston area, displayed his posters prominently and found them to be best-sellers during the holiday season. In the early 90s, Mr. Blehm began selling his posters to Image Conscious, which distributed Mr. Blehm's posters to stores across the country, including some in the Boston area. Starting in October 1991, McGaw Graphics sold Mr. Blehm's posters to numerous Boston-area stores, including the Harvard Coop, a student bookstore in Harvard Square.

After experiencing success with the posters, Mr. Blehm expanded the Penmen line. He began making Penmen t-shirts. He developed a Penmen comic strip, which eventually was printed in newspapers with a combined circulation of over five million. Mr. Blehm also created a Penmen book, which is sold nationally.

2. The Jacobs Brothers, Life is Good, and the Development of "Jake"

Starting in 1989, the Jacobs brothers designed and sold t-shirts "infused with a positive undertone as a reflection of their beliefs." ... The brothers sold t-shirts in areas around Boston, including Harvard Square, not far from the Harvard Coop. During the 1993 holiday season, the Jacobses sold t-shirts from carts in the Cambridge-side Galleria and the Emerald Square Mall, both of which had Prints Plus stores that sold Mr. Blehm's posters.

According to the Jacobses, around April 1994 John Jacobs drew a sketch of a figure with a red face, wide smile, sunglasses, and a beret. The figure was enclosed in two circles. John hung the sketch on the wall of the brothers' apartment.

The Jacobses recall hosting a party in August 1994 at their apartment and soliciting feedback on the sketch from their friends. After a friend stated that the figure in the sketch "really has life figured out," John Jacobs wrote "Life is good" under the image. They named the image "Jake," a spinoff of their last name.

The Jacobses soon made and sold t-shirts featuring Jake at street fairs and to retailers. As demand for the shirts increased, John Jacobs added a torso, arms, and feet to the Jake head. Jake was portrayed engaging in simple activities, such as biking, hiking, golfing, and playing soccer. Below is an example of an early Jake image.



The Jacobses incorporated Life is Good in 1997 with the "overarching themes of optimism, simplicity, humor, and humility." ... In 2003, they hired Joseph Burke and William Gillis to help design shirts. Depictions of Jake have increased in complexity over the years—from Jake engaging in simple poses to Jake engaging in actions and wearing clothes.

The Jacobses, Mr. Burke, and Mr. Gillis contend they had never heard of the Penmen before Mr. Blehm's lawsuit.

B. Procedural History

In December 2009, Mr. Blehm filed a complaint against the Jacobses and Life is Good alleging four causes of action. The complaint was later amended to allege one count of copyright infringement and one count of contributory infringement, claiming that various Life is Good Jake images infringed Mr. Blehm's copyrighted works.

In April 2011, Life is Good moved for summary judgment on three bases. First, Life is Good argued it had provided evidence that the accused Jake images had been independently created, thus negating any evidence that the company had copied from Mr. Blehm’s posters. Second, it argued that Mr. Blehm had failed to show that Life is Good had access to the copyrighted works to copy them. Finally, it argued that the Jake images are not substantially similar to the copyrightable elements of Mr. Blehm’s works.

The district court held that material factual disputes precluded summary judgment on Life is Good’s assertion that the Jake images had been independently created. The court also held that Mr. Blehm had provided sufficient evidence that the Jacobses had access and opportunity to copy the Penmen posters. However, the district court granted summary judgment to Life is Good and dismissed Mr. Blehm’s infringement claims because the Jake images are not substantially similar to the legally protectable elements of the Penmen images.

...

II. DISCUSSION

...

The copying element of an infringement claim has two components. ... First, a plaintiff must demonstrate that the defendant copied the plaintiff’s work “as a factual matter.” ... Second, the plaintiff must establish “substantial similarity” between the allegedly infringing work and the elements of the copyrighted work that are legally protected. ... This second component, which is a mixed question of law and fact, determines whether a defendant’s factual copying constitutes actionable infringement. ...

...

After a de novo review of the substantial similarity between the protectable elements of the Penmen and the accused Life is Good images, we affirm the district court’s ruling that the copyrighted and accused works are not substantially similar. ...

A. Substantial Similarity

1. Legal Framework

“In order to prove copying of legally [protectable] material, a plaintiff must typically show substantial similarity between legally [protectable] elements of the original work and the allegedly infringing work.” ... This commonly stated rule raises two questions: First, what elements of a copyrighted work are legally protectable? Second, how do courts determine whether a copyrighted work’s legally protectable elements are “substantially similar” to an accused work?

a. Legally Protectable Elements: The Idea/Expression Distinction

...

[Section 102(b) of the Copyright Act] enshrines the “fundamental tenet” that copyright “protection extends only to the author’s original expression and not to the ideas embodied in that expression.” ...

Thus, courts comparing works must first distill the protectable elements of the copyrighted work—i.e., determine what aspects constitute protectable expression. ...⁴ More than 50 years ago,

⁴ At times, we have used an “abstraction-filtration-comparison” approach to aid our substantial similarity inquiry. ... At the abstraction step, the court identifies unprotected elements of a copyrighted work. ... We then filter out unprotected elements from the author’s protected expression. ... Finally, we compare the remaining protected expression with the allegedly infringing work. ... We originally found this analysis “especially well suited to the dissection of computer programs because the test breaks down a program in a way that parallels the typical

Judge Learned Hand recognized that “[t]he test for infringement of a copyright is of necessity vague.” ... Because “no principle can be stated as to when an imitator has gone beyond copying the ‘idea,’ and has borrowed its ‘expression [,]’ [d]ecisions must therefore inevitably be ad hoc.” [continuing to quote from Learned Hand’s opinion in *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487 (2d Cir. 1960)]. We follow this case-by-case approach, ... and are mindful “that copyright law seeks to achieve a proper balance between competition based on public ideas and incentive to produce original work,” ...

...

[Referring to Judge Laval’s opinion in *Mattel, Inc. v. Goldberger Doll Mfg. Co.*, 365 F.3d 133 (2d Cir.2004), the court observes that] copyright protection [does not] extend to the idea of creating a doll with “an upturned nose, bow lips, and widely spaced eyes,” even if the allegedly infringing work has explicitly taken this idea from the copyrighted work.

Copyright instead protects the “particularized expression” of the idea of a doll with such features. ... For example, although a copyright owner has no monopoly over the idea of a muscular doll in a standard pose, the owner may have a valid infringement claim for copying of the “particularized expression of that idea,” such as “the decision to accentuate certain muscle groups relative to others.” ... A copyright owner’s original stylistic choices qualify as protectable expression if the choices are not dictated by the underlying idea. ...

...

b. Test for Substantial Similarity: The Ordinary Observer

[T]he substantial similarity test asks “whether the ordinary observer, unless he set out to detect the disparities [between the works], would be disposed to overlook them, and regard their aesthetic appeal as the same.” ... The proper focus is on the similarities between the works, not their minute differences.

... We have not defined the “outer limits” of substantial similarity, likely because the line between substantial similarity and no substantial similarity is imprecise. ... [A] court may grant summary judgment for the defendant if the protectable expression in the copyrighted work and the allegedly infringing work is “so dissimilar ... that no reasonable jury could find for the plaintiff on the question of substantial similarity.” ...

...

2. Comparing the Penmen and Jake Images

...

The district court viewed the Penmen as “simple” stick figures and explained that any similarities between them and the Jake images “result[] from common themes and general concepts such as the idea of a person skateboarding, playing [F]risbee, playing a musical instrument, holding a birthday cake, roasting a marshmallow over a campfire, or holding his hand in a peace sign.” ... These themes, the court noted, are unprotected ideas. It further explained that no copyright protection extends to

development of a program.” ...

But “not every case requires extensive analysis,” and the appropriate test “may vary depending upon the claims involved, the procedural posture of the suit, and the nature of the works at issue.” ... Here, the visual works are relatively simple. Although we do not use the abstraction-filtration-comparison analysis, our goal is the same: separating unprotectable ideas from protectable expression in Mr. Blehm’s copyrighted works and comparing the remaining protectable expression to the Life is Good images to determine whether they are substantially similar.

Penmen poses that flow from the described activities, or to anatomical similarities between the Penmen and Jake images.

After parsing out these elements, the district court concluded that “the remaining original expression [of the Penmen] that is subject to protection is thin.” ... It determined that the Penmen and Jake images are different “with respect to color, the orientation of the body, the relation of the body to the head, expression, clothing and other features,” and that any similarities “flow from considerations external to the Plaintiff’s creativity, such as common themes and natural poses.” ...

The district court was correct that Mr. Blehm has no copyright over the idea of a cartoon figure holding a birthday cake, catching a Frisbee, skateboarding, or engaging in various other everyday activities. Nor can the Jake images infringe on the Penmen because the figures share the idea of using common anatomical features such as arms, legs, faces, and fingers, which are not protectable elements. ... Mr. Blehm’s copyright also does not protect Penmen poses that are attributable to an associated activity, such as reclining while taking a bath or lounging in an inner tube. ... These everyday activities, common anatomical features, and natural poses are ideas that belong to the public domain; Mr. Blehm does not own these elements. ...

Although we do not consider these unprotected elements in our substantial similarity analysis, we acknowledge that Mr. Blehm’s works do contain some protectable expression.⁶ The Penmen at first glance might be considered simple stick figures, but they are more nuanced than a child’s rudimentary doodling. For example, the prototypical Penman has a rounded, half-moon smile that takes up a substantial portion of the face. Mr. Blehm has chosen to omit any other facial features on the Penmen. Each figure is filled in black, except for the white half-moon smile, and each Penman’s head is detached, hovering above the body. Many of the Penmen stand facing the viewer, flashing the half-moon smile.

Mr. Blehm also drew the Penmen according to his own rules and guidelines. The figure’s head might be perceived as slightly disproportional to the body. Its arms and legs are thin, long, and disproportionate to the torso, which is relatively short. Mr. Blehm also chose to give the Penmen four fingers—each about as thick as their arms and legs—on each hand, as well as feet that are disproportionately long and thick compared with the rest of the body.

Thus, each Penman reflects particular stylistic choices Mr. Blehm has made. It is likely that these stylistic choices contributed substantially to the success of his copyrighted works. ... Although some may discount Mr. Blehm’s drawings as simple stick figures, we are mindful that each Penman follows

⁶ The district court characterized any remaining expression in Mr. Blehm’s works as “thin.” ... This may be a reference to the Supreme Court’s decision in *Feist*, in which the Court addressed copyright protection in a telephone directory and explained that “copyright in a factual compilation is thin.” ... Mr. Blehm’s works are pictorial. ...

“Thin” protection has come up outside the context of fact-based works. The Ninth Circuit distinguishes between works entitled to “broad” protection and those with “thin” protection. ... “If there’s a wide range of expression (for example, there are gazillions of ways to make an aliens-attack movie), then copyright protection is ‘broad’ and a work will infringe if it’s ‘substantially similar’ to the copyrighted work.” ... But “[i]f there’s only a narrow range of expression (for example, there are only so many ways to paint a red bouncy ball on a blank canvas), then copyright protection is ‘thin’ and a work must be ‘virtually identical’ to infringe.” ...

Even assuming the distinction between “broad” and “thin” protection is correct, Mr. Blehm’s works would not necessarily fall in the “thin” protection category. There are many ways to depict a cartoon figure catching a disc or golfing, just as there are many ways—from Odie to Snoopy—of drawing a cartoon dog.

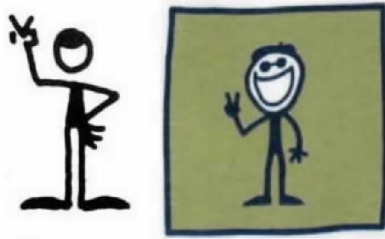
In any event, we do not read the district court’s reference to “thin” protection as requiring Mr. Blehm to show a heightened degree of similarity between the copyrighted and accused images.

a seemingly uniform standard to achieve a unique expression. We also are cognizant that under the law of copyright, “even a modicum of creativity may suffice for a work to be protected.” ... Mr. Blehm’s works easily clear that threshold.

Having identified protectable expression in Mr. Blehm’s drawings, we must determine whether that expression is substantially similar to the allegedly infringing Life is Good images. Life is Good is not entitled to summary judgment unless its Jake figures are so dissimilar from the protectable elements of the Penmen that no reasonable jury could find for Mr. Blehm on the question of substantial similarity. ...

To show substantial similarity, Mr. Blehm provided the district court with an exhibit juxtaposing 67 individual Penmen with a corresponding, allegedly infringing Jake image. We have reviewed these images and agree with the district court’s grant of summary judgment in favor of Life is Good. We now address two of Mr. Blehm’s proposed comparisons, which he highlights in his appellate brief, and explain why the Life is Good images are so dissimilar from the protectable elements of Mr. Blehm’s images that no reasonable jury could find in his favor.

a. The Peace Sign Images



The first example in Mr. Blehm’s exhibit juxtaposes a Penman and Jake image standing and displaying the peace sign. Because we must separate unprotected ideas from expression, our analysis does not consider that both drawings share the idea of a cartoon figure making a common hand gesture. But we do consider whether the Jake image is substantially similar to Mr. Blehm’s expression of this idea.

Mr. Blehm urges us to find certain similarities between the images. He notes that both have round heads. ... But Mr. Blehm has no copyright protection in general human features. Further, the figures’ heads are not similarly round. Jake’s head is more oval and somewhat misshapen, whereas the Penman’s head is circular and uniform.

Mr. Blehm suggests that the figures have similar proportions, such as the size of the figures’ heads, arms, legs, and feet compared with their bodies. A close review of the figures, however, yields the opposite conclusion. Jake’s head is very large compared with the body, while the Penman’s head is relatively proportional. The Penman’s arms and legs are long and disproportionate to its truncated torso. Jake, on the other hand, has more proportional limbs compared with his torso. The figures’ feet are distinctly different: the Penman’s are thick, long, and roll-shaped, but Jake’s are shorter and triangular.

Nevertheless, there are some similarities between the Penman and Jake. Both have black-line bodies, four fingers, and large half-moon smiles, and their feet are pointed outward. But even these similarities have important differences, or are not protectable expression. For example, Jake’s fingers appear stubbier. The choice to display the figures’ feet outward also naturally flows from the common idea of drawing a two-dimensional stick figure and is thus unprotected.

The figures’ smiles thus seem to be the crux of this litigation. The Penman and Jake both face the viewer with disproportionately large half-moon smiles. A smile can be drawn in various ways. Here,

they share a crescent shape, but the idea of a crescent-shaped smile is unprotected. Rather, the expression of the smiles must be substantially similar and important to the overall work.

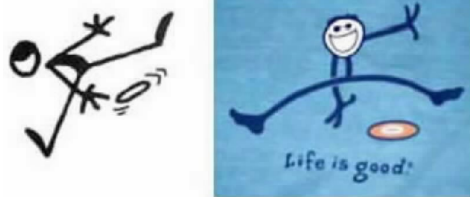
The Penman's smile is all white, as is Jake's. The smiles on both figures take up a large portion of the head. But the Penman's smile is rounded on the tips, whereas the tips of Jake's smile are sharper angled. Jake's smile, by virtue of the size of his head, is much larger compared with his body than is the Penman's. And although both smiles are white, the Penman's is set on an all-black head, making it appear different from Jake's, which is the outline of a smile on a white head with black sunglasses.

Indeed, Mr. Blehm's decision to omit eyes and other facial features on the Penman makes the figure susceptible to an interpretation that the Penman is not smiling at all. One interpretation is that the white space on the head is not a smile, but is the Penman's face with no features. The black above the half-moon shape can be perceived as hair swooping down over the Penman's forehead. Thus, the Penman's lack of facial features make it susceptible to different interpretations. The Jake figure is not susceptible to similar confusion.

Any similarity between smiles also is insubstantial in light of other differences between the figures. Jake's head is attached to the body, and his head is white and has black sunglasses. The Penman's head is detached and is black with no eyes. Jake sports a beret, and his whole figure is displayed on a color background, whereas the Penman has no headwear and is portrayed against a plain white background. The Jake image's arms are positioned differently from the Penman, with Jake's left arm curved, rather than sharp and angular. Mr. Blehm also chose a unique feature for the Penman's peace-sign expression—white space in the figure's hand—that the Jake image does not share.

We conclude that no reasonable juror could determine that the Jake figure is substantially similar to the protected, expressive choices Mr. Blehm used for the Penman figure.

b. The Frisbee Images



In another example, a Penman and Jake attempt to catch Frisbees between their legs. The two figures' poses are similar—suspended in the air with legs outstretched and a hand descending to catch the disc—but we do not consider the pose in our analysis. Such a pose is common to this activity and is not protected expression. Again, the figures have large, half-moon smiles. And unlike the “peace sign” Jake, this Jake image has legs that are disproportionate to a truncated torso. The Penman's legs also are long with respect to the torso, but not as disproportionate as Jake's.

Jake's legs are curved, but the Penman's are straightened. The Jake image's head differs in the same important ways as in the “peace sign” images. Jake's arms appear to extend from his head, but the Penman's arms attach to the top of the torso. Jake's torso is much thinner (and disproportionately shorter) than the Penman's; Jake has three fingers on each hand (not four); and the Jake image, unlike the Penman image, incorporates color on the canvas and disc. Jake's feet are defined—toes and arches are visible—but the Penman's are not.

Although the images share a similar idea of catching a Frisbee between the legs, the protectable expression in the Penman is not substantially similar to the Jake image.

c. Other Images

Mr. Blehm highlights 65 other Penmen as having been copied. ...

We have reviewed these images, and an analysis similar to the discussion above applies. We need not describe their similarities and differences in detail here, other than to note that other Penman–Jake comparisons have even more substantial differences than the “peace sign” and “Frisbee catching” images described above. ...

...

Mr. Blehm urges that we should focus on the images’ similarities, not their differences. He is correct that “[t]he touchstone of the [substantial similarity] analysis is the overall similarities rather than the minute differences between the two works.” ... But this does not mean we merely look at the images, notice they are similar because they are cartoon figures with big smiles engaging in like activities, and end our substantial similarity analysis in Mr. Blehm’s favor. Mr. Blehm’s copyright protection lies in the particular way he chose to express these works. And we must be careful not to grant Mr. Blehm a monopoly over all figures featuring black lines representing the human form. Our analysis cannot be so generous as to sweep in all manner of stick figures as potentially infringing on his works.

As Nimmer explains, the substantial similarity inquiry is a problem of “line drawing.” ... Truer words could not have been spoken about this case. We have focused on the unique expression in Mr. Blehm’s Penmen. Other than the half-moon smile—a feature among the figures that is similar, but not substantially so—we see insubstantial similarity in expression between the Penmen and Jake.

Copying alone is not infringement. The infringement determination depends on what is copied. Assuming *Life is Good* copied Penmen images when it produced Jake images, our substantial similarity analysis shows it copied ideas rather than expression, which would make *Life is Good* a copier but not an infringer under copyright law.

III. CONCLUSION

For the foregoing reasons, we affirm the district court’s grant of summary judgment in favor of *Life is Good*.

§2.3, B. 2: Unprotectable “Facts”—Notes

Page 70 (insert at the end of Note 5):

The more nuanced approach to “blank forms” was reiterated by the Eleventh Circuit in *Utopia Provider Systems, Inc. v. Pro-Med Clinical Systems, L.L.C.*, 596 F.3d 1313, 1320 (11th Cir. 2010):

Some courts have adopted a “bright-line” rule regarding blank forms; that is, they hold that blank forms inherently do not convey information and are not copyrightable. The Ninth Circuit took this approach in *Bibbero Sys., Inc. v. Colwell Sys., Inc.*, 893 F.2d 1104 (9th Cir.1990). The court rejected the argument that a blank form could satisfy the “convey information” test by containing possible categories of information, thus indicating which information was important. ... If categories of information were sufficient to “convey information,” according to the court, the copyrightability of blank forms would be “potentially limitless. All forms seek only certain information, and, by their selection, convey that the information sought is important. This cannot be what the Copyright Office intended by the statement ‘convey information’ in 37 C.F.R. 202.1(c).” *Id.*

The majority of circuits have rejected *Bibbero*’s bright-line approach. See, e.g., *Kregos v. Associated Press*, 937 F.2d 700, 709 (2d Cir.1991) (“[A]ll forms need not be denied protection simply because many of them fail to display sufficient creativity.”); *Whelan*

Assocs., Inc. v. Jaslow Dental Lab., Inc., 797 F.2d 1222, 1242-43 (3d Cir.1986) (noting that the Third Circuit, “like the majority of courts that have considered this issue ... ha[s] held that blank forms may be copyrighted if they are sufficiently innovative that their arrangement of information is itself informative”). Although the Ninth Circuit characterized the Eleventh Circuit’s approach in *Clarke Checks* as adopting the “bright-line” approach that blank forms cannot be copyrighted, the Ninth Circuit’s reading of *Clarke Checks* does not comport with our reading of it. ... The *Clarke Checks* court’s statement that “blank forms which do not convey information ... are not copyrightable” does not indicate a view that blank forms cannot convey information. ... We therefore look to the “convey information” test to analyze whether [the form at issue] is copyrightable, and do not end the analysis merely by labeling it a blank form.

§2.3, C, 3: Computer Software

Page 124, insert after first full paragraph):

The general matter of copyright protection for non-literal, structural aspects of computer software, was re-examined by the Federal Circuit, purportedly applying Ninth Circuit law (and rejecting *Lotus*) in *Oracle America, Inc. v. Google, Inc.*, 750 F.3d 1339 (Fed. Cir. 2014) (the appeal was to the Federal Circuit from a decision of a federal district court in California (in the Ninth Circuit) because of the existence of patent infringement claims (claims that were ultimately dropped) as to which the Federal Circuit’s jurisdiction is exclusive, so that the copyright claims, albeit determined by the Federal Circuit, were done so under Ninth Circuit law). The court, reversing the district court, held that Oracle’s Java application programming interface “package” was copyrightable computer software. The court observed that “Oracle’s collection of API packages is like a library, each package is like a bookshelf in the library, each class is like a book on the shelf, and each method is like a how-to chapter in a book.” It noted further that it was “undisputed that Google copied 7,000 lines of declaring code and generally replicated the overall structure, sequence, and organization of Oracle’s 37 Java API packages.”

The court specifically reversed the district court determination that the “packages” amounted to an uncopyrightable “command structure, a system or method of operation.” Rather, it found that the structure, sequence and organization (the “non-literal” aspects of the computer program), as well as the specific code (the “literal” aspects), were copyrightable. In so doing the court found that these elements amounted to original expression and were not subject to operation of either the merger or the scenes a faire doctrines because the software was not the product of a limited number of expressive choices. (The court here applied the Ninth Circuit “rule” as to merger, holding that that circuit follows the “infringement” model of merger rather than the “copyrightability” model.)

As to copyrightability in general, the court attempted to apply the Second Circuit *Altai* analysis in a nuanced manner (“this test eschews bright line approaches and requires a more nuanced assessment of the particular program at issue in order to determine what expression is protectable and infringed”). While finding that the structural elements were indisputably original and quite unlike those found to be an unprotected “operating system” in the First Circuit decision in *Lotus*,, it specifically held that the Ninth Circuit would in any event reject the *Lotus* analysis (“*Lotus* is inconsistent with Ninth Circuit case law recognizing that the structure, sequence, and organization of a computer program is eligible for copyright protection where it qualifies as an expression of an idea, rather than the idea itself.” The court, in summary, concludes (quoting from H.R.Rep. No. 1476, 94th Cong., 2d Sess. 54):

that a set of commands to instruct a computer to carry out desired operations may contain expression that is eligible for copyright protection. [U]nder Ninth Circuit law, an original work—even one that serves a function—is entitled to copyright protection as long as the author had multiple ways to express the underlying idea. Section 102(b) does not ... automatically deny copyright protection to elements of a computer program that are functional. Instead, [it] codifies the idea/expression dichotomy and the legislative history confirms that, among other things, Section 102(b) was “intended to make clear that the expression adopted by the programmer is the copyrightable element in a computer program.” ... Therefore, even if an element directs a computer to perform operations, the court must nevertheless determine whether it contains any separable expression entitled to protection.

§2.3, F, 2: Literary and Other Characters

Page 173, Notes (insert at the end of the paragraph):

In *Klinger v. Conan Doyle Estate*, ___ F.3d ___, 2014 WL 2726187 (7th Cir. 2014) the Seventh Circuit followed *Silverman* in holding that, with respect to continuing characters, when the work or works in which the character was created and developed fall into the public domain or otherwise lose copyright protection, use of the character in subsequent works will not be protected by copyright except to the extent that the newer use consists of more than trivial variations from the original character.

§2.4, A, 2: “Fixation” Defined

Page 186 (insert after the last paragraph):

As noted above, the Seventh Circuit, in a case of first impression, held that an artistically created wild flower garden was neither a “writing” nor “fixed” for purposing of copyrightability. *Kelley v. Chicago Park Dist.*, 635 F.3d 290 (7th Cir.), cert. denied, 132 S.Ct. 380 (2011).

§3.1, C: The Public Distribution Right — The First Sale Doctrine

Page 255 (insert before “b. Computer Software and Record Rental”):

Vernor v. Autodesk, Inc.

United States Court of Appeals, Ninth Circuit, 2010

621 F.3d 1102, cert. denied, 132 S.Ct. 105 (2011).

Jerome B. Falk, Clara J. Shin, Blake J. Lawit, Michael A. Jacobs, and George C. Harris, for defendant-appellant Autodesk, Inc.

Gregory A. Beck and Deepak Gupta, for plaintiff-appellee Timothy S. Vernor.

Randi W. Singer, Mark J. Fiore, and Lisa R. Eskow, for amicus curiae eBay Inc.

Fred von Lohmann, Sherwin Siy, and John Bergmayer, for amicus curiae American Library Association, Association of College and Research Libraries, Association of Research Libraries, Consumer Federation of America, Electronic Frontier Foundation, Public Knowledge, and U.S. PIRG.

Scott E. Bain, Keith Kupferschmid, and Mark Bohannon, for amicus curiae Software & Information Industry Association.

Robert H. Rotstein, Patricia H. Benson, and J. Matthew Williams, for amicus curiae Motion Picture Association of America, Inc.

CALLAHAN, J.: Timothy Vernor purchased several used copies of Autodesk, Inc.’s AutoCAD Release 14 software (“Release 14”) from one of Autodesk’s direct customers, and he resold the Release 14 copies on eBay. Vernor brought this declaratory judgment action against Autodesk to establish that

these resales did not infringe Autodesk's copyright. The district court issued the requested declaratory judgment, holding that Vernor's sales were lawful because of two of the Copyright Act's affirmative defenses that apply to owners of copies of copyrighted works, the first sale doctrine and the essential step defense.

Autodesk distributes Release 14 pursuant to a limited license agreement in which it reserves title to the software copies and imposes significant use and transfer restrictions on its customers. We determine that Autodesk's direct customers are licensees of their copies of the software rather than owners, which has two ramifications. Because Vernor did not purchase the Release 14 copies from an owner, he may not invoke the first sale doctrine, and he also may not assert an essential step defense on behalf of his customers. For these reasons, we vacate the district court's grant of summary judgment to Vernor and remand for further proceedings.

I

A. Autodesk's Release 14 software and licensing practices

The material facts are not in dispute. Autodesk makes computer-aided design software used by architects, engineers, and manufacturers. It has more than nine million customers. It first released its AutoCAD software in 1982. It holds registered copyrights in all versions of the software including the discontinued Release 14 version, which is at issue in this case. It provided Release 14 to customers on CD-ROMs. Since at least 1986, Autodesk has offered AutoCAD to customers pursuant to an accompanying software license agreement ("SLA"), which customers must accept before installing the software. A customer who does not accept the SLA can return the software for a full refund. Autodesk offers SLAs with different terms for commercial, educational institution, and student users. The commercial license, which is the most expensive, imposes the fewest restrictions on users and allows them software upgrades at discounted prices.

The SLA for Release 14 first recites that Autodesk retains title to all copies. Second, it states that the customer has a nonexclusive and nontransferable license to use Release 14. Third, it imposes transfer restrictions, prohibiting customers from renting, leasing, or transferring the software without Autodesk's prior consent and from electronically or physically transferring the software out of the Western Hemisphere. Fourth, it imposes significant use restrictions:

YOU MAY NOT: (1) modify, translate, reverse-engineer, decompile, or disassemble the Software ... (3) remove any proprietary notices, labels, or marks from the Software or Documentation; (4) use ... the Software outside of the Western Hemisphere; (5) utilize any computer software or hardware designed to defeat any hardware copy-protection device, should the software you have licensed be equipped with such protection; or (6) use the Software for commercial or other revenue-generating purposes if the Software has been licensed or labeled for educational use only.

Fifth, the SLA provides for license termination if the user copies the software without authorization or does not comply with the SLA's restrictions. Finally, the SLA provides that if the software is an upgrade of a previous version:

[Y]ou must destroy the software previously licensed to you, including any copies resident on your hard disk drive ... within sixty (60) days of the purchase of the license to use the upgrade or update.... Autodesk reserves the right to require you to show satisfactory proof that previous copies of the software have been destroyed.

Autodesk takes measures to enforce these license requirements. It assigns a serial number to each copy of AutoCAD and tracks registered licensees. It requires customers to input "activation codes" within one month after installation to continue using the software. The customer obtains the code

by providing the product's serial number to Autodesk. Autodesk issues the activation code after confirming that the serial number is authentic, the copy is not registered to a different customer, and the product has not been upgraded. Once a customer has an activation code, he or she may use it to activate the software on additional computers without notifying Autodesk.

B. Autodesk's provision of Release 14 software to CTA

In March 1999, Autodesk reached a settlement agreement with its customer Cardwell/Thomas & Associates, Inc. ("CTA"), which Autodesk had accused of unauthorized use of its software. As part of the settlement, Autodesk licensed ten copies of Release 14 to CTA. CTA agreed to the SLA, which appeared (1) on each Release 14 package that Autodesk provided to CTA; (2) in the settlement agreement; and (3) on-screen, while the software is being installed. CTA later upgraded to the newer, fifteenth version of the AutoCAD program, AutoCAD 2000. It paid \$495 per upgrade license, compared to \$3,750 for each new license. The SLA for AutoCAD 2000, like the SLA for Release 14, required destruction of copies of previous versions of the software, with proof to be furnished to Autodesk on request. However, rather than destroying its Release 14 copies, CTA sold them to Vernor at an office sale with the handwritten activation codes necessary to use the software.²

C. Vernor's eBay business and sales of Release 14

Vernor has sold more than 10,000 items on eBay. In May 2005, he purchased an authentic used copy of Release 14 at a garage sale from an unspecified seller. He never agreed to the SLA's terms, opened a sealed software packet, or installed the Release 14 software. Though he was aware of the SLA's existence, he believed that he was not bound by its terms. He posted the software copy for sale on eBay. Autodesk filed a Digital Millennium Copyright Act ("DMCA") take-down notice with eBay claiming that Vernor's sale infringed its copyright, and eBay terminated Vernor's auction. Autodesk advised Vernor that it conveyed its software copies pursuant to non-transferable licenses, and resale of its software was copyright infringement. Vernor filed a DMCA counter-notice with eBay contesting the validity of Autodesk's copyright claim. Autodesk did not respond to the counter-notice. eBay reinstated the auction, and Vernor sold the software to another eBay user.

In April 2007, Vernor purchased four authentic used copies of Release 14 at CTA's office sale. The authorization codes were handwritten on the outside of the box. He listed the four copies on eBay sequentially, representing, "This software is not currently installed on any computer." On each of the first three occasions, the same DMCA process ensued. Autodesk filed a DMCA take-down notice with eBay, and eBay removed Vernor's auction. Vernor submitted a counter-notice to which Autodesk did not respond, and eBay reinstated the auction.

When Vernor listed his fourth, final copy of Release 14, Autodesk again filed a DMCA take-down notice with eBay. This time, eBay suspended Vernor's account because of Autodesk's repeated charges of infringement. Vernor also wrote to Autodesk, claiming that he was entitled to sell his Release 14 copies pursuant to the first sale doctrine, because he never installed the software or agreed to the SLA. In response, Autodesk's counsel directed Vernor to stop selling the software. Vernor filed a final counter-notice with eBay. When Autodesk again did not respond to Vernor's counter-notice, eBay reinstated Vernor's account. At that point, Vernor's eBay account had been suspended for one month, during which he was unable to earn income on eBay. Vernor currently has two additional copies of Release 14 that he wishes to sell on eBay. Although the record is not clear,

² Autodesk brought suit in federal district court against CTA for these sales. The parties stipulated to entry of a permanent injunction against CTA from directly or contributorily infringing Autodesk's copyrights.

it appears that Vernor sold two of the software packages that he purchased from CTA, for roughly \$600 each, but did not sell the final two to avoid risking further suspension of his eBay account.

II

In August 2007, Vernor brought a declaratory action against Autodesk to establish that his resales of used Release 14 software are protected by the first sale doctrine and do not infringe Autodesk's copyright. He also sought damages and injunctive relief. On January 15, 2008, Autodesk moved to dismiss Vernor's complaint, or in the alternative, for summary judgment. The district court denied the motion, holding that Vernor's sales were non-infringing under the first sale doctrine and the essential step defense. ... Following discovery, the parties filed cross-motions for summary judgment. The district court granted summary judgment to Vernor as to copyright infringement in an unpublished decision. However, the district court declined to resolve Vernor's affirmative defense that Autodesk had misused its copyright, reasoning that a misuse defense would not benefit Vernor since he had prevailed on copyright infringement. In October 2009, the district court entered judgment for Vernor, and Autodesk timely appealed.

III

Copyright is a federal law protection provided to the authors of "original works of authorship," including software programs. 17 U.S.C. §§ 101-103. The Copyright Act confers several exclusive rights on copyright owners, including the exclusive rights to reproduce their works and to *1107 distribute their works by sale or rental. *Id.* § 106(1), (3). The exclusive distribution right is limited by the first sale doctrine, an affirmative defense to copyright infringement that allows owners of copies of copyrighted works to resell those copies. The exclusive reproduction right is limited within the software context by the essential step defense, another affirmative defense to copyright infringement that is discussed further *infra*. Both of these affirmative defenses are unavailable to those who are only licensed to use their copies of copyrighted works. This case requires us to decide whether Autodesk sold Release 14 copies to its customers or licensed the copies to its customers. If CTA owned its copies of Release 14, then both its sales to Vernor and Vernor's subsequent sales were non-infringing under the first sale doctrine.⁶ However, if Autodesk only licensed CTA to use copies of Release 14, then CTA's and Vernor's sales of those copies are not protected by the first sale doctrine and would therefore infringe Autodesk's exclusive distribution right.

A. The first sale doctrine

The Supreme Court articulated the first sale doctrine in 1908, holding that a copyright owner's exclusive distribution right is exhausted after the owner's first sale of a particular copy of the copyrighted work. See *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 350-51 (1908). In *Bobbs-Merrill*, the plaintiff-copyright owner sold its book with a printed notice announcing that any retailer who sold the book for less than one dollar was responsible for copyright infringement. ... Plaintiff sought injunctive relief against defendants-booksellers who failed to comply with the price restriction. ... The Supreme Court rejected the plaintiff's claim, holding that its exclusive distribution right applied only to first sales of copies of the work. ... The distribution right did not permit plaintiff to dictate that subsequent sales of the work below a particular price were infringing. ... The Court noted that its decision solely applied to the rights of a copyright owner that distributed its work without a license

⁶ If Autodesk's transfer of Release 14 copies to CTA was a first sale, then CTA's resale of the software in violation of the SLA's terms would be a breach of contract, but would not result in copyright liability. See *United States v. Wise*, 550 F.2d 1180, 1187 (9th Cir.1977) ("[T]he exclusive right to vend the transferred copy rests with the vendee, who is not restricted by statute from further transfers of that copy, even though in breach of an agreement restricting its sale.").

agreement. ... (“There is no claim in this case of contract limitation, nor license agreement controlling the subsequent sales of the book.”). Congress codified the first sale doctrine the following year. See 17 U.S.C. § 41 (1909). In its current form, it allows the “owner of a particular copy” of a copyrighted work to sell or dispose of his copy without the copyright owner’s authorization. *Id.* § 109(a) (enacted 1976). The first sale doctrine does not apply to a person who possesses a copy of the copyrighted work without owning it, such as a licensee. ...

B. Owners vs. licensees

We turn to our precedents governing whether a transferee of a copy of a copyrighted work is an owner or licensee of that copy. We then apply those precedents to CTA’s and Vernor’s possession of Release 14 copies.

1. *United States v. Wise*, 550 F.2d 1180 (9th Cir.1977)

In *Wise*, a criminal copyright infringement case, we considered whether copyright owners who transferred copies of their motion pictures pursuant to written distribution agreements had executed first sales. ... The defendant was found guilty of copyright infringement based on his for-profit sales of motion picture prints. ... The copyright owners distributed their films to third parties pursuant to written agreements that restricted their use and transfer. ... If the copyright owners’ initial transfers of the films were first sales, then the defendant’s resales were protected by the first sale doctrine and thus were not copyright infringement.

[U]nder *Wise*, where a transferee receives a particular copy of a copyrighted work pursuant to a written agreement, we consider all of the provisions of the agreement to determine whether the transferee became an owner of the copy or received a license. We may consider (1) whether the agreement was labeled a license and (2) whether the copyright owner retained title to the copy, required its return or destruction, forbade its duplication, or required the transferee to maintain possession of the copy for the agreement’s duration. ... We did not find any one factor dispositive in *Wise*: we did not hold that the copyright owner’s retention of title itself established the absence of a first sale or that a transferee’s right to indefinite possession itself established a first sale.

...

We read *Wise* and the MAI trio [*MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9th Cir.1993); *Triad Sys. Corp. v. Se. Express Co.*, 64 F.3d 1330 (9th Cir.1995); *Wall Data, Inc. v. Los Angeles County Sheriff’s Dep’t*, 447 F.3d 769 (9th Cir.2006)] to prescribe three considerations that we may use to determine whether a software user is a licensee, rather than an owner of a copy. First, we consider whether the copyright owner specifies that a user is granted a license. Second, we consider whether the copyright owner significantly restricts the user’s ability to transfer the software. Finally, we consider whether the copyright owner imposes notable use restrictions.

...

IV

A. The district court’s decision.

The district court interpreted *Wise* to hold that a first sale occurs whenever the transferee is entitled to keep the copy of the work. Since Autodesk does not require its customers to return their copies of Release 14, the district court found that Autodesk had sold Release 14 to CTA. It reasoned that thus, CTA and Vernor were successive “owner[s] of a copy” of the software and were entitled to resell it under the first sale doctrine. The district court also found that Vernor’s customers’ copying of software during installation was protected by the essential step defense. The district court acknowledged that were it to follow the MAI trio, it would conclude that Autodesk had licensed

Release 14 copies to CTA, rather than sold them. However, it viewed Wise and the MAI trio as irreconcilable, and it followed Wise as the first-decided case. ...

B. Analysis

We hold today that a software user is a licensee rather than an owner of a copy where the copyright owner (1) specifies that the user is granted a license; (2) significantly restricts the user's ability to transfer the software; and (3) imposes notable use restrictions. Applying our holding to Autodesk's SLA, we conclude that CTA was a licensee rather than an owner of copies of Release 14 and thus was not entitled to invoke the first sale doctrine or the essential step defense.

Autodesk retained title to the software and imposed significant transfer restrictions: it stated that the license is nontransferable, the software could not be transferred or leased without Autodesk's written consent, and the software could not be transferred outside the Western Hemisphere. The SLA also imposed use restrictions against the use of the software outside the Western Hemisphere and against modifying, translating, or reverse-engineering the software, removing any proprietary marks from the software or documentation, or defeating any copy protection device. Furthermore, the SLA provided for termination of the license upon the licensee's unauthorized copying or failure to comply with other license restrictions. Thus, because Autodesk reserved title to Release 14 copies and imposed significant transfer and use restrictions, we conclude that its customers are licensees of their copies of Release 14 rather than owners.

CTA was a licensee rather than an "owner of a particular copy" of Release 14, and it was not entitled to resell its Release 14 copies to Vernor under the first sale doctrine. ... Therefore, Vernor did not receive title to the copies from CTA and accordingly could not pass ownership on to others. Both CTA's and Vernor's sales infringed Autodesk's exclusive right to distribute copies of its work.

Because Vernor was not an owner, his customers are also not owners of Release 14 copies. Therefore, when they install Release 14 on their computers, the copies of the software that they make during installation infringe Autodesk's exclusive reproduction right because they too are not entitled to the benefit of the essential step defense.¹³

Although unnecessary to our resolution of the case, we address the legislative history in order to address the arguments raised by the parties and amici. That legislative history supports our conclusion that licensees such as CTA are not entitled to claim the first sale doctrine. The House Report for § 109 underscores Congress' view that the first sale doctrine is available only to a person who has acquired a copy via an "outright sale". ... The report also asserts that the first sale doctrine does not "apply to someone who merely possesses a copy or phonorecord without having acquired ownership of it." ...

Our conclusion that those who rightfully possess, but do not own, a copy of copyrighted software are not entitled to claim the essential step defense is also supported by the legislative history. Congress enacted § 117 following a report from the National Commission on New Technological Uses of Copyrighted Works ("CONTU") proposing Copyright Act amendments. ... CONTU's proposed version of § 117 was identical to the version that Congress enacted with one exception. ... CONTU's version provided, "[I]t is not an infringement for the rightful possessor of a copy of a computer program to make or authorize the making of another copy or adaptation of that program...." ...

¹³ It may seem intuitive that every lawful user of a copyrighted software program, whether they own their copies or are merely licensed to use them, should be entitled to an "essential step defense" that provides that they do not infringe simply by using a computer program that they lawfully acquired. However, the Copyright Act confers this defense only on owners of software copies. ... In contrast, a licensee's right to use the software, including the right to copy the software into RAM, is conferred by the terms of its license agreement.

Without explanation, Congress substituted “owner” for “rightful possessor.” ... This modification suggests that more than rightful possession is required for § 117 to apply – i.e., that Congress did not intend licensees subject to significant transfer and use restrictions to receive the benefit of the essential step defense.

V

Although our holding today is controlled by our precedent, we recognize the significant policy considerations raised by the parties and amici on both sides of this appeal. Autodesk, the Software & Information Industry Association (“SIIA”), and the Motion Picture Association of America (“MPAA”) have presented policy arguments that favor our result. For instance, Autodesk argues in favor of judicial enforcement of software license agreements that restrict transfers of copies of the work. Autodesk contends that this (1) allows for tiered pricing for different software markets, such as reduced pricing for students or educational institutions; (2) increases software companies’ sales; (3) lowers prices for all consumers by spreading costs among a large number of purchasers; and (4) reduces the incidence of piracy by allowing copyright owners to bring infringement actions against unauthorized resellers. SIIA argues that a license can exist even where a customer (1) receives his copy of the work after making a single payment and (2) can indefinitely possess a software copy, because it is the software code and associated rights that are valuable rather than the inexpensive discs on which the code may be stored. Also, the MPAA argues that a customer’s ability to possess a copyrighted work indefinitely should not compel a finding of a first sale, because there is often no practically feasible way for a consumer to return a copy to the copyright owner.

Vernor, eBay, and the American Library Association (“ALA”) have presented policy arguments against our decision. Vernor contends that our decision (1) does not vindicate the law’s aversion to restraints on alienation of personal property; (2) may force everyone purchasing copyrighted property to trace the chain of title to ensure that a first sale occurred; and (3) ignores the economic realities of the relevant transactions, in which the copyright owner permanently released software copies into the stream of commerce without expectation of return in exchange for upfront payment of the full software price. eBay contends that a broad view of the first sale doctrine is necessary to facilitate the creation of secondary markets for copyrighted works, which contributes to the public good by (1) giving consumers additional opportunities to purchase and sell copyrighted works, often at below-retail prices; (2) allowing consumers to obtain copies of works after a copyright owner has ceased distribution; and (3) allowing the proliferation of businesses.

The ALA contends that the first sale doctrine facilitates the availability of copyrighted works after their commercial lifespan, by *inter alia* enabling the existence of libraries, used bookstores, and hand-to-hand exchanges of copyrighted materials. The ALA further contends that judicial enforcement of software license agreements, which are often contracts of adhesion, could eliminate the software resale market, require used computer sellers to delete legitimate software prior to sale, and increase prices for consumers by reducing price competition for software vendors. It contends that Autodesk’s position (1) undermines 17 U.S.C. § 109(b)(2), which permits non-profit libraries to lend software for non-commercial purposes, and (2) would hamper efforts by non-profits to collect and preserve out-of-print software. The ALA fears that the software industry’s licensing practices could be adopted by other copyright owners, including book publishers, record labels, and movie studios.

These are serious contentions on both sides, but they do not alter our conclusion that our precedent from *Wise* through the *MAI* trio requires the result we reach. Congress is free, of course, to modify the first sale doctrine and the essential step defense if it deems these or other policy considerations to require a different approach.

VI

The district court did not consider Vernor's claim that Autodesk misused its copyright. Copyright misuse is an equitable defense to copyright infringement which precludes the copyright holder's enforcement of its copyright during the misuse period. ... The district court reasoned that a misuse defense would not benefit Vernor since he prevailed on copyright infringement below. Since we reverse the district court's grant of summary judgment in Vernor's favor on copyright infringement, we remand for the district court to consider Vernor's copyright misuse defense in the first instance.

VII

We vacate the district court's grant of summary judgment in Vernor's favor and remand. We hold that because CTA is a licensee, not an owner, the "sale" of its Release 14 copies to Vernor did not convey ownership. Vernor is accordingly not entitled to invoke the first sale doctrine or the essential step defense, on behalf of his customers. We remand for further proceedings consistent with this opinion, including consideration of Vernor's copyright misuse defense.

The Ninth Circuit has described Vernor as "a significant validation of license restrictions on transfer and use of software." *Apple, Inc. v. Psystar Corp.*, 658 F.3d 1150 (9th Cir. 2011), cert. denied, 132 S.Ct. 2374 (2012). Compare *UMG Recordings, Inc. v. Augusto*, 628 F.3d 1175 (9th Cir. 2011), in which the court, distinguishing its Vernor opinion, held that recipients of promotional music CD's, sent to them by the record companies, were "owners" and not "licensees" for purposes of the first sale doctrine, notwithstanding a statement on the label of the CD's that

This CD is the property of the record company and is licensed to the intended recipient for personal use only. Acceptance of this CD shall constitute an agreement to comply with the terms of the license. Resale or transfer of possession is not allowed and may be punishable under federal and state laws.

The court observed:

Our conclusion that the recipients acquired ownership of the CDs is based largely on the nature of UMG's distribution. First, the promotional CDs are dispatched to the recipients without any prior arrangement as to those particular copies. The CDs are not numbered, and no attempt is made to keep track of where particular copies are or what use is made of them. [A]lthough UMG places written restrictions in the labels of the CDs, it has not established that the restrictions on the CDs create a license agreement.

The court also found that, inasmuch as these promotional CDs were "unordered merchandise, the recipients were free to dispose of them as they saw fit under the Unordered Merchandise Statute, 39 U.S.C. § 3009."

Because the statute grants to the recipients the right to treat the CDs as their own, shipping the unordered CDs to the recipients rendered the recipients owners, not licensees, of the CDs for purposes of the first sale defense. This effect of the Unordered Merchandise Statute distinguishes this case from those involving computer software, where the software consumers clearly ordered and paid for the software licensed to them.

§3.1, C, 2, c: Importation and First Sale:

Page 263 (Insert at the end of Note following *Quality King* opinion):

Omega S.A. v. Costco Wholesale Corp., 541 F.3d 982 (9th Cir. 2008) was appealed to the U.S. Supreme Court, which affirmed, but by an equally divided (4-4, Justice Kagan not participating) Court, 131 S.Ct. 565 (2010), thus continuing to leave the issue in doubt. The question of the

applicability of the first sale doctrine to items manufactured abroad and imported into the United States was subsequently considered by the Second Circuit in *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210 (2d Cir. 2011), in which a divided (2-1) panel, finding the text of §109(a) “utterly ambiguous” on the point, interpreted the Supreme Court’s *Quality King* opinion consistent with Justice Ginsburg’s concurrence and, to a limited extent, the Ninth Circuit’s holding in *Omega*, and held that §109(a) “is best interpreted as applying only to copies manufactured domestically.” (The court disagreed with that portion of *Omega* that would apply the first sale doctrine as well to copies that had been manufactured abroad, imported into the U.S. with the copyright owner’s consent, exported and then re-imported.) The Supreme Court granted certiorari, and, over Justice Ginsburg’s dissent, rejected the Second and Ninth Circuit interpretations and the concept of a “geographical” limitation on the first sale doctrine:

Kirtsaeng v. John Wiley & Sons, Inc.

Supreme Court of the United States, 2013
133 S.Ct. 1351

E. Joshua Rosenkranz, Sam P. Israel, Annette L. Hurst, Lisa T. Simpson, for Petitioner.
Theodore B. Olson, Matthew D. McGill, Scott P. Martin, for Respondent.

BREYER, J. (With ROBERTS, CJ, and THOMAS, ALITO, SOTOMAYOR, and KAGAN, JJ): Section 106 of the Copyright Act grants “the owner of copyright under this title” certain “exclusive rights,” including the right “to distribute copies ... of the copyrighted work to the public by sale or other transfer of ownership.” 17 U.S.C. § 106(3). These rights are qualified, however, by the application of various limitations set forth in the next several sections of the Act, §§ 107 through 122. Those sections, typically entitled “Limitations on exclusive rights,” include, for example, the principle of “fair use” (§ 107), permission for limited library archival reproduction, (§ 108), and the doctrine at issue here, the “first sale” doctrine (§ 109).

Section 109(a) sets forth the “first sale” doctrine as follows:

“Notwithstanding the provisions of section 106(3) [the section that grants the owner exclusive distribution rights], the owner of a particular copy or phonorecord lawfully made under this title ... is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.” (Emphasis added.)

Thus, even though § 106(3) forbids distribution of a copy of, say, the copyrighted novel *Herzog* without the copyright owner’s permission, § 109(a) adds that, once a copy of *Herzog* has been lawfully sold (or its ownership otherwise lawfully transferred), the buyer of that copy and subsequent owners are free to dispose of it as they wish. In copyright jargon, the “first sale” has “exhausted” the copyright owner’s § 106(3) exclusive distribution right.

What, however, if the copy of *Herzog* was printed abroad and then initially sold with the copyright owner’s permission? Does the “first sale” doctrine still apply? Is the buyer, like the buyer of a domestically manufactured copy, free to bring the copy into the United States and dispose of it as he or she wishes?

To put the matter technically, an “importation” provision, § 602(a)(1), says that “[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies ... of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies ... under section 106....” 17 U.S.C. § 602(a)(1) (2006 ed., Supp. V) (emphasis added)

Thus § 602(a)(1) makes clear that importing a copy without permission violates the owner’s exclusive distribution right. But in doing so, § 602(a)(1) refers explicitly to the § 106(3) exclusive

distribution right. As we have just said, § 106 is by its terms “[s]ubject to” the various doctrines and principles contained in §§ 107 through 122, including § 109(a)’s “first sale” limitation. Do those same modifications apply—in particular _____, does the “first sale” modification apply—when considering whether § 602(a)(1) prohibits importing a copy?

In *Quality King Distributors, Inc. v. L’anza Research Int’l, Inc.*, ... we held that § 602(a)(1)’s reference to § 106(3)’s exclusive distribution right incorporates the later subsections’ limitations, including, in particular, the “first sale” doctrine of § 109. Thus, it might seem that, § 602(a)(1) notwithstanding, one who buys a copy abroad can freely import that copy into the United States and dispose of it, just as he could had he bought the copy in the United States.

But *Quality King* considered an instance in which the copy, though purchased abroad, was initially manufactured in the United States (and then sent abroad and sold). This case is like *Quality King* but for one important fact. The copies at issue here were manufactured abroad. That fact is important because § 109(a) says that the “first sale” doctrine applies to “a particular copy or phonorecord lawfully made under this title.” And we must decide here whether the five words, “lawfully made under this title,” make a critical legal difference.

Putting section numbers to the side, we ask whether the “first sale” doctrine applies to protect a buyer or other lawful owner of a copy (of a copyrighted work) lawfully manufactured abroad. Can that buyer bring that copy into the United States (and sell it or give it away) without obtaining permission to do so from the copyright owner? Can, for example, someone who purchases, say at a used bookstore, a book printed abroad subsequently resell it without the copyright owner’s permission?

In our view, the answers to these questions are, yes. We hold that the “first sale” doctrine applies to copies of a copyrighted work lawfully made abroad.

I

A

Respondent, John Wiley & Sons, Inc., publishes academic textbooks. Wiley obtains from its authors various foreign and domestic copyright assignments, licenses and permissions—to the point that we can, for present purposes, refer to Wiley as the relevant American copyright owner. ... Wiley often assigns to its wholly owned foreign subsidiary, John Wiley & Sons (Asia) Pte Ltd., rights to publish, print, and sell Wiley’s English language textbooks abroad. ... Each copy of a Wiley Asia foreign edition will likely contain language making clear that the copy is to be sold only in a particular country or geographical region outside the United States. ...

For example, a copy of Wiley’s American edition says, “Copyright © 2008 John Wiley & Sons, Inc. All rights reserved.... Printed in the United States of America.” J. Walker, *Fundamentals of Physics*, p. vi (8th ed. 2008). A copy of Wiley Asia’s Asian edition of that book says:

“Copyright © 2008 John Wiley & Sons (Asia) Pte Ltd[.] All rights reserved. This book is authorized for sale in Europe, Asia, Africa, and the Middle East only and may be not exported out of these territories. Exportation from or importation of this book to another region without the Publisher’s authorization is illegal and is a violation of the Publisher’s rights. The Publisher may take legal action to enforce its rights.... Printed in Asia.” J. Walker, *Fundamentals of Physics*, p. vi (8th ed. 2008 Wiley Int’l Student ed.).

Both the foreign and the American copies say:

“No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means ... except as permitted under Sections 107 or 108 of the 1976 United States Copyright Act.” Compare, e.g., *ibid.* (Int’l ed.), with Walker, *supra*, at vi (American ed.).

The upshot is that there are two essentially equivalent versions of a Wiley textbook, ... each version manufactured and sold with Wiley's permission: (1) an American version printed and sold in the United States, and (2) a foreign version manufactured and sold abroad. And Wiley makes certain that copies of the second version state that they are not to be taken (without permission) into the United States. ...

Petitioner, Supap Kirtsaeng, a citizen of Thailand, moved to the United States in 1997 to study mathematics at Cornell University. ... He paid for his education with the help of a Thai Government scholarship which required him to teach in Thailand for 10 years on his return. ... Kirtsaeng successfully completed his undergraduate courses at Cornell, successfully completed a Ph.D. program in mathematics at the University of Southern California, and then, as promised, returned to Thailand to teach. ... While he was studying in the United States, Kirtsaeng asked his friends and family in Thailand to buy copies of foreign edition English-language textbooks at Thai book shops, where they sold at low prices, and mail them to him in the United States. ... Kirtsaeng would then sell them, reimburse his family and friends, and keep the profit. ...

B

In 2008 Wiley brought this federal lawsuit against Kirtsaeng for copyright infringement. ... Wiley claimed that Kirtsaeng's unauthorized importation of its books and his later resale of those books amounted to an infringement of Wiley's § 106(3) exclusive right to distribute as well as § 602's related import prohibition. ... Kirtsaeng replied that the books he had acquired were "lawfully made" and that he had acquired them legitimately. ... Thus, in his view, § 109(a)'s "first sale" doctrine permitted him to resell or otherwise dispose of the books without the copyright owner's further permission. ...

The District Court held that Kirtsaeng could not assert the "first sale" defense because, in its view, that doctrine does not apply to "foreign-manufactured goods" (even if made abroad with the copyright owner's permission). ... The jury then found that Kirtsaeng had willfully infringed Wiley's American copyrights by selling and importing without authorization copies of eight of Wiley's copyrighted titles. And it assessed statutory damages of \$600,000 (\$75,000 per work). ...

On appeal, a split panel of the Second Circuit agreed with the District Court. ... It pointed out that § 109(a)'s "first sale" doctrine applies only to "the owner of a particular copy ... lawfully made under this title." ... (emphasis added). And, in the majority's view, this language means that the "first sale" doctrine does not apply to copies of American copyrighted works manufactured abroad. ... A dissenting judge thought that the words "lawfully made under this title" do not refer "to a place of manufacture" but rather "focu[s] on whether a particular copy was manufactured lawfully under" America's copyright statute, and that "the lawfulness of the manufacture of a particular copy should be judged by U.S. copyright law." ... (opinion of Murtha, J.).

We granted Kirtsaeng's petition for certiorari to consider this question in light of different views among the Circuits. ...

II

We must decide whether the words "lawfully made under this title" restrict the scope of § 109(a)'s "first sale" doctrine geographically. The Second Circuit, the Ninth Circuit, Wiley, and the Solicitor General (as amicus) all read those words as imposing a form of geographical limitation. ...

Under any of these geographical interpretations, § 109(a)'s "first sale" doctrine would not apply to the Wiley Asia books at issue here. And, despite an American copyright owner's permission to make copies abroad, one who buys a copy of any such book or other copyrighted work—whether at a retail store, over the Internet, or at a library sale—could not resell (or otherwise dispose of) that particular copy without further permission.

Kirtsaeng, however, reads the words “lawfully made under this title” as imposing a non-geographical limitation. He says that they mean made “in accordance with” or “in compliance with” the Copyright Act. Brief for Petitioner 26. In that case, § 109(a)’s “first sale” doctrine would apply to copyrighted works as long as their manufacture met the requirements of American copyright law. In particular, the doctrine would apply where, as here, copies are manufactured abroad with the permission of the copyright owner. See § 106 (referring to the owner’s right to authorize).

In our view, § 109(a)’s language, its context, and the common-law history of the “first sale” doctrine, taken together, favor a non-geographical interpretation. We also doubt that Congress would have intended to create the practical copyright-related harms with which a geographical interpretation would threaten ordinary scholarly, artistic, commercial, and consumer activities. ... We consequently conclude that Kirtsaeng’s nongeographical reading is the better reading of the Act.

A

The language of § 109(a) read literally favors Kirtsaeng’s nongeographical interpretation, namely, that “lawfully made under this title” means made “in accordance with” or “in compliance with” the Copyright Act. The language of § 109(a) says nothing about geography. The word “under” can mean “[i]n accordance with.” 18 Oxford English Dictionary 950 (2d ed.1989). See also Black’s Law Dictionary 1525 (6th ed. 1990) (“according to”). And a nongeographical interpretation provides each word of the five-word phrase with a distinct purpose. The first two words of the phrase, “lawfully made,” suggest an effort to distinguish those copies that were made lawfully from those that were not, and the last three words, “under this title,” set forth the standard of “lawful[ness].” Thus, the nongeographical reading is simple, it promotes a traditional copyright objective (combatting piracy), and it makes word-by-word linguistic sense.

The geographical interpretation, however, bristles with linguistic difficulties. It gives the word “lawfully” little, if any, linguistic work to do. (How could a book be un lawfully “made under this title”?) It imports geography into a statutory provision that says nothing explicitly about it. And it is far more complex than may at first appear.

To read the clause geographically, Wiley, like the Second Circuit and the Solicitor General, must first emphasize the word “under.” Indeed, Wiley reads “under this title” to mean “in conformance with the Copyright Act where the Copyright Act is applicable.” ... Wiley must then take a second step, arguing that the Act “is applicable” only in the United States. ... And the Solicitor General must do the same. ...

One difficulty is that neither “under” nor any other word in the phrase means “where.” ... It might mean “subject to,” ... but as this Court has repeatedly acknowledged, the word evades a uniform, consistent meaning. ...

A far more serious difficulty arises out of the uncertainty and complexity surrounding the second step’s effort to read the necessary geographical limitation into the word “applicable” (or the equivalent). Where, precisely, is the Copyright Act “applicable”? The Act does not instantly protect an American copyright holder from unauthorized piracy taking place abroad. But that fact does not mean the Act is inapplicable to copies made abroad. As a matter of ordinary English, one can say that a statute imposing, say, a tariff upon “any rhododendron grown in Nepal” applies to all Nepalese rhododendrons. And, similarly, one can say that the American Copyright Act is applicable to all pirated copies, including those printed overseas. Indeed, the Act itself makes clear that (in the Solicitor General’s language) foreign-printed pirated copies are “subject to” the Act. § 602(a)(2) (2006 ed., Supp. V) (referring to importation of copies “the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if this title had been applicable”) ...

The appropriateness of this linguistic usage is underscored by the fact that § 104 of the Act itself says that works “subject to protection under this title” include unpublished works “without regard to the nationality or domicile of the author,” and works “first published” in any one of the nearly 180 nations that have signed a copyright treaty with the United States. ... Thus, ordinary English permits us to say that the Act “applies” to an Irish manuscript lying in its author’s Dublin desk drawer as well as to an original recording of a ballet performance first made in Japan and now on display in a Kyoto art gallery. ...

The Ninth Circuit’s geographical interpretation produces still greater linguistic difficulty. As we said, that Circuit interprets the “first sale” doctrine to cover both (1) copies manufactured in the United States and (2) copies manufactured abroad but first sold in the United States with the American copyright owner’s permission....

We can understand why the Ninth Circuit may have thought it necessary to add the second part of its definition. As we shall later describe, ... without some such qualification a copyright holder could prevent a buyer from domestically reselling or even giving away copies of a video game made in Japan, a film made in Germany, or a dress (with a design copyright) made in China, even if the copyright holder has granted permission for the foreign manufacture, importation, and an initial domestic sale of the copy. A publisher such as Wiley would be free to print its books abroad, allow their importation and sale within the United States, but prohibit students from later selling their used texts at a campus bookstore. We see no way, however, to reconcile this half-geographical/half-nongeographical interpretation with the language of the phrase, “lawfully made under this title.” As a matter of English, it would seem that those five words either do cover copies lawfully made abroad or they do not.

In sum, we believe that geographical interpretations create more linguistic problems than they resolve. And considerations of simplicity and coherence tip the purely linguistic balance in *Kirtsaeng*’s, nongeographical, favor.

B

Both historical and contemporary statutory context indicate that Congress, when writing the present version of § 109(a), did not have geography in mind. In respect to history, we compare § 109(a)’s present language with the language of its immediate predecessor. That predecessor said:

“[N]othing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained.” Copyright Act of 1909, § 41, 35 Stat. 1084 (emphasis added).

... The predecessor says nothing about geography (and Wiley does not argue that it does). So we ask whether Congress, in changing its language implicitly introduced a geographical limitation that previously was lacking. ...

A comparison of language indicates that it did not. The predecessor says that the “first sale” doctrine protects “the transfer of any copy the possession of which has been lawfully obtained.” The present version says that “the owner of a particular copy or phonorecord lawfully made under this title is entitled to sell or otherwise dispose of the possession of that copy or phonorecord.” What does this change in language accomplish?

The language of the former version referred to those who are not owners of a copy, but mere possessors who “lawfully obtained” a copy. The present version covers only those who are owners of a “lawfully made” copy. Whom does the change leave out? Who might have lawfully obtained a copy of a copyrighted work but not owned that copy? One answer is owners of movie theaters, who during the 1970’s (and before) often leased films from movie distributors or filmmakers. ... Because the theater owners had “lawfully obtained” their copies, the earlier version could be read as allowing them

to sell that copy, i.e., it might have given them “first sale” protection. Because the theater owners were lessees, not owners, of their copies, the change in language makes clear that they (like bailees and other lessees) cannot take advantage of the “first sale” doctrine. ...

This objective perfectly well explains the new language of the present version, including the five words here at issue. Section 109(a) now makes clear that a lessee of a copy will not receive “first sale” protection but one who owns a copy will receive “first sale” protection, provided, of course, that the copy was “lawfully made” and not pirated. The new language also takes into account that a copy may be “lawfully made under this title” when the copy, say of a phonorecord, comes into its owner’s possession through use of a compulsory license, which “this title” provides for elsewhere, namely, in § 115. ...

Other provisions of the present statute also support a nongeographical interpretation. For one thing, the statute phases out the “manufacturing clause,” a clause that appeared in earlier statutes and had limited importation of many copies (of copyrighted works) printed outside the United States. ... The phasing out of this clause sought to equalize treatment of copies manufactured in America and copies manufactured abroad. ...

The “equal treatment” principle, however, is difficult to square with a geographical interpretation of the “first sale” clause that would grant the holder of an American copyright (perhaps a foreign national ...) permanent control over the American distribution chain (sales, resales, gifts, and other distribution) in respect to copies printed abroad but not in respect to copies printed in America. And it is particularly difficult to believe that Congress would have sought this unequal treatment while saying nothing about it and while, in a related clause (the manufacturing phase-out), seeking the opposite kind of policy goal. ...

Finally, we normally presume that the words “lawfully made under this title” carry the same meaning when they appear in different but related sections. ... But doing so here produces surprising consequences. Consider:

(1) Section 109(c) says that, despite the copyright owner’s exclusive right “to display” a copyrighted work (provided in § 106(5)), the owner of a particular copy “lawfully made under this title” may publicly display it without further authorization. To interpret these words geographically would mean that one who buys a copyrighted work of art, a poster, or even a bumper sticker, in Canada, in Europe, in Asia, could not display it in America without the copyright owner’s further authorization.

(2) Section 109(e) specifically provides that the owner of a particular copy of a copyrighted video arcade game “lawfully made under this title” may “publicly perform or display that game in coin-operated equipment” without the authorization of the copyright owner. To interpret these words geographically means that an arcade owner could not (“without the authority of the copyright owner”) perform or display arcade games (whether new or used) originally made in Japan....

(3) Section 110(1) says that a teacher, without the copyright owner’s authorization, is allowed to perform or display a copyrighted work (say, an audiovisual work) “in the course of face-to-face teaching activities”—unless the teacher knowingly used “a copy that was not lawfully made under this title.” To interpret these words geographically would mean that the teacher could not (without further authorization) use a copy of a film during class if the copy was lawfully made in Canada, Mexico, Europe, Africa, or Asia.

(4) In its introductory sentence, § 106 provides the Act’s basic exclusive rights to an “owner of a copyright under this title.” The last three words cannot support a geographic interpretation.

Wiley basically accepts the first three readings, but argues that Congress intended the restrictive consequences. And it argues that context simply requires that the words of the fourth example receive a different interpretation. Leaving the fourth example to the side, we shall explain in Part II–D, *infra*, why we find it unlikely that Congress would have intended these, and other related consequences.

C

A relevant canon of statutory interpretation favors a nongeographical reading. “[W]hen a statute covers an issue previously governed by the common law,” we must presume that “Congress intended to retain the substance of the common law.” ...

The “first sale” doctrine is a common-law doctrine with an impeccable historic pedigree. In the early 17th century Lord Coke explained the common law’s refusal to permit restraints on the alienation of chattels. Referring to Littleton, who wrote in the 15th century, Gray, *Two Contributions to Coke Studies*, 72 U. Chi. L.Rev. 1127, 1135 (2005), Lord Coke wrote:

“[If] a man be possessed of ... a horse, or of any other chattell ... and give or sell his whole interest ... therein upon condition that the Donee or Vendee shall not alien[at]e the same, the [condition] is voi[d], because his whole interest ... is out of him, so as he hath no possibilit[y] of a Reverter, and it is against Trade and Traffi[c], and bargaining and contracting betwee[n] man and man: and it is within the reason of our Author that it should ouster him of all power given to him.” 1 E. Coke, *Institutes of the Laws of England* § 360, p. 223 (1628).

A law that permits a copyright holder to control the resale or other disposition of a chattel once sold is similarly “against Trade and Traffi[c], and bargaining and contracting.”...

With these last few words, Coke emphasizes the importance of leaving buyers of goods free to compete with each other when reselling or otherwise disposing of those goods. American law too has generally thought that competition, including freedom to resell, can work to the advantage of the consumer. ...

The “first sale” doctrine also frees courts from the administrative burden of trying to enforce restrictions upon difficult-to-trace, readily movable goods. And it avoids the selective enforcement inherent in any such effort. Thus, it is not surprising that for at least a century the “first sale” doctrine has played an important role in American copyright law. . . . The common-law doctrine makes no geographical distinctions; nor can we find any in *Bobbs–Merrill* (where this Court first applied the “first sale” doctrine) or in § 109(a)’s predecessor provision, which Congress enacted a year later. ... Rather, as the Solicitor General acknowledges, “a straightforward application of *Bobbs–Merrill*” would not preclude the “first sale” defense from applying to authorized copies made overseas.... And we can find no language, context, purpose, or history that would rebut a “straightforward application” of that doctrine here.

The dissent argues that another principle of statutory interpretation works against our reading, and points out that elsewhere in the statute Congress used different words to express something like the non-geographical reading we adopt. ... Hence, Congress, the dissent believes, must have meant § 109(a)’s different language to mean something different (such as the dissent’s own geographical interpretation of § 109(a)). We are not aware, however, of any canon of interpretation that forbids interpreting different words used in different parts of the same statute to mean roughly the same thing. Regardless, were there such a canon, the dissent’s interpretation of § 109(a) would also violate it. That is because Congress elsewhere in the 1976 Act included the words “manufactured in the United States or Canada,” ... which express just about the same geographical thought that the dissent reads into § 109(a)’s very different language.

D

Associations of libraries, used-book dealers, technology companies, consumer-goods retailers, and museums point to various ways in which a geographical interpretation would fail to further basic constitutional copyright objectives, in particular “promot[ing] the Progress of Science and useful Arts.” U.S. Const., Art. I, § 8, cl. 8.

The American Library Association tells us that library collections contain at least 200 million books published abroad (presumably, many were first published in one of the nearly 180 copyright-treaty nations and enjoy American copyright protection under 17 U.S.C. § 104 ...); that many others were first published in the United States but printed abroad because of lower costs; and that a geographical interpretation will likely require the libraries to obtain permission (or at least create significant uncertainty) before circulating or otherwise distributing these books. ...

How, the American Library Association asks, are the libraries to obtain permission to distribute these millions of books? How can they find, say, the copyright owner of a foreign book, perhaps written decades ago? They may not know the copyright holder’s present address. ... And, even where addresses can be found, the costs of finding them, contacting owners, and negotiating may be high indeed. Are the libraries to stop circulating or distributing or displaying the millions of books in their collections that were printed abroad?

Used-book dealers tell us that, from the time when Benjamin Franklin and Thomas Jefferson built commercial and personal libraries of foreign books, American readers have bought used books published and printed abroad. ... The dealers say that they have “operat[ed] ... for centuries” under the assumption that the “first sale” doctrine applies.... But under a geographical interpretation a contemporary tourist who buys, say, at Shakespeare and Co. (in Paris), a dozen copies of a foreign book for American friends might find that she had violated the copyright law. The used-book dealers cannot easily predict what the foreign copyright holder may think about a reader’s effort to sell a used copy of a novel. And they believe that a geographical interpretation will injure a large portion of the used-book business.

Technology companies tell us that “automobiles, microwaves, calculators, mobile phones, tablets, and personal computers” contain copyrightable software programs or packaging. ... Many of these items are made abroad with the American copyright holder’s permission and then sold and imported (with that permission) to the United States. ... A geographical interpretation would prevent the resale of, say, a car, without the permission of the holder of each copyright on each piece of copyrighted automobile software. Yet there is no reason to believe that foreign auto manufacturers regularly obtain this kind of permission from their software component suppliers, and Wiley did not indicate to the contrary when asked. ... Without that permission a foreign car owner could not sell his or her used car.

Retailers tell us that over \$2.3 trillion worth of foreign goods were imported in 2011. ... American retailers buy many of these goods after a first sale abroad. ... And, many of these items bear, carry, or contain copyrighted “packaging, logos, labels, and product inserts and instructions for [the use of] everyday packaged goods from floor cleaners and health and beauty products to breakfast cereals.” ... The retailers add that American sales of more traditional copyrighted works, “such as books, recorded music, motion pictures, and magazines” likely amount to over \$220 billion.... A geographical interpretation would subject many, if not all, of them to the disruptive impact of the threat of infringement suits. ...

Art museum directors ask us to consider their efforts to display foreign-produced works by, say, Cy Twombly, Rene Magritte, Henri Matisse, Pablo Picasso, and others. ... A geographical interpretation, they say, would require the museums to obtain permission from the copyright owners before they could display the work, ...—even if the copyright owner has already sold or donated the

work to a foreign museum. ... What are the museums to do, they ask, if the artist retained the copyright, if the artist cannot be found, or if a group of heirs is arguing about who owns which copyright? ...

These examples, and others previously mentioned, help explain why Lord Coke considered the “first sale” doctrine necessary* to protect “Trade and Traffi[c], and bargaining and contracting,” and they help explain why American copyright law has long applied that doctrine. ...

Neither Wiley nor any of its many amici deny that a geographical interpretation could bring about these “horribles”—at least in principle. Rather, Wiley essentially says that the list is artificially invented. ... It points out that a federal court first adopted a geographical interpretation more than 30 years ago. Yet, it adds, these problems have not occurred. Why not? Because, says Wiley, the problems and threats are purely theoretical; they are unlikely to reflect reality. ...

We are less sanguine. For one thing, the law has not been settled for long in Wiley’s favor. The Second Circuit, in its decision below, is the first Court of Appeals to adopt a purely geographical interpretation. The Third Circuit has favored a nongeographical interpretation. ... The Ninth Circuit has favored a modified geographical interpretation with a nongeographical (but textually unsustainable) corollary designed to diminish the problem. ... And other courts have hesitated to adopt, and have cast doubt upon, the validity of the geographical interpretation. ...

For another thing, reliance upon the “first sale” doctrine is deeply embedded in the practices of those, such as booksellers, libraries, museums, and retailers, who have long relied upon its protection. Museums, for example, are not in the habit of asking their foreign counterparts to check with the heirs of copyright owners before sending, e.g., a Picasso on tour. ... That inertia means a dramatic change is likely necessary before these institutions, instructed by their counsel, would begin to engage in the complex permission-verifying process that a geographical interpretation would demand. And this Court’s adoption of the geographical interpretation could provide that dramatic change. These intolerable consequences (along with the absurd result that the copyright owner can exercise downstream control even when it authorized the import or first sale) have understandably led the Ninth Circuit, the Solicitor General as amicus, and the dissent to adopt textual readings of the statute that attempt to mitigate these harms. ... But those readings are not defensible, for they require too many unprecedented jumps over linguistic and other hurdles that in our view are insurmountable. ...

Finally, the fact that harm has proved limited so far may simply reflect the reluctance of copyright holders so far to assert geographically based resale rights. They may decide differently if the law is clarified in their favor. Regardless, a copyright law that can work in practice only if unenforced is not a sound copyright law. It is a law that would create uncertainty, would bring about selective enforcement, and, if widely unenforced, would breed disrespect for copyright law itself.

Thus, we believe that the practical problems that petitioner and his amici have described are too serious, too extensive, and too likely to come about for us to dismiss them as insignificant—particularly in light of the ever-growing importance of foreign trade to America. ... The upshot is that copyright-related consequences along with language, context, and interpretive canons argue strongly against a geographical interpretation of § 109(a).

III

Wiley and the dissent make several additional important arguments in favor of the geographical interpretation. First, they say that our *Quality King* decision strongly supports its geographical interpretation. In that case we asked whether the Act’s “importation provision,” now § 602(a)(1) (then § 602(a)), barred importation (without permission) of a copyrighted item (labels affixed to hair care products) where an American copyright owner authorized the first sale and export of hair care

products with copyrighted labels made in the United States, and where a buyer sought to import them back into the United States without the copyright owner's permission. ...

We held that the importation provision did not prohibit sending the products back into the United States (without the copyright owner's permission). ...

We pointed out that this section makes importation an infringement of the "exclusive right to distribute ... under 106." We noted that § 109(a)'s "first sale" doctrine limits the scope of the § 106 exclusive distribution right. We took as given the fact that the products at issue had at least once been sold. And we held that consequently, importation of the copyrighted labels does not violate § 602(a)(1). ...

In reaching this conclusion we endorsed *Bobbs–Merrill* and its statement that the copyright laws were not "intended to create a right which would permit the holder of the copyright to fasten, by notice in a book ... a restriction upon the subsequent alienation of the subject-matter of copyright after the owner had parted with the title to one who had acquired full dominion over it." ...

We also explained why we rejected the claim that our interpretation would make § 602(a)(1) pointless. Those advancing that claim had pointed out that the 1976 Copyright Act amendments retained a prior anti-piracy provision, prohibiting the importation of pirated copies. ... Thus, they said, § 602(a)(1) must prohibit the importation of lawfully made copies, for to allow the importation of those lawfully made copies after a first sale ... would leave § 602(a)(1) without much to prohibit. It would become superfluous, without any real work to do.

We do not believe that this argument is a strong one. Under *Quality King's* interpretation, § 602(a)(1) would still forbid importing (without permission, and subject to the exceptions in § 602(a)(3)) copies lawfully made abroad, for example, where (1) a foreign publisher operating as the licensee of an American publisher prints copies of a book overseas but, prior to any authorized sale, seeks to send them to the United States; (2) a foreign printer or other manufacturer (if not the "owner" for purposes of § 109(a), e.g., before an authorized sale) sought to send copyrighted goods to the United States; (3) "a book publisher transports copies to a wholesaler" and the wholesaler (not yet the owner) sends them to the United States ...; or (4) a foreign film distributor, having leased films for distribution, or any other licensee, consignee, or bailee sought to send them to the United States. ... These examples show that § 602(a)(1) retains significance. We concede it has less significance than the dissent believes appropriate, but the dissent also adopts a construction of § 106(3) that "significantly curtails" § 109(a)'s effect ... and so limits the scope of that provision to a similar, or even greater, degree.

In *Quality King* we rejected the "superfluous" argument for similar reasons. But, when rejecting it, we said that, where an author gives exclusive American distribution rights to an American publisher and exclusive British distribution rights to a British publisher, "presumably only those [copies] made by the publisher of the United States edition would be 'lawfully made under this title' within the meaning of § 109(a).".. (emphasis added). Wiley now argues that this phrase in the *Quality King* opinion means that books published abroad (under license) must fall outside the words "lawfully made under this title" and that we have consequently already given those words the geographical interpretation that it favors.

We cannot, however, give the *Quality King* statement the legal weight for which Wiley argues. The language "lawfully made under this title" was not at issue in *Quality King*; the point before us now was not then fully argued; we did not canvas the considerations we have here set forth; we there said nothing to suggest that the example assumes a "first sale"; and we there hedged our statement with the word "presumably." Most importantly, the statement is pure dictum. It is dictum contained in a rebuttal to a counterargument. And it is unnecessary dictum even in that respect. Is the Court

having once written dicta calling a tomato a vegetable bound to deny that it is a fruit forever after?

To the contrary, we have written that we are not necessarily bound by dicta should more complete argument demonstrate that the dicta is not correct. ... And, given the bit part that our *Quality King* statement played in our *Quality King* decision, we believe the view of *stare decisis* set forth in these opinions applies to the matter now before us.

Second, Wiley and the dissent argue (to those who consider legislative history) that the Act's legislative history supports their interpretation. But the historical events to which it points took place more than a decade before the enactment of the Act and, at best, are inconclusive.

[The opinion reviews the history of the 1976 Act and Section 109]

This history reiterates the importance of the “first sale” doctrine. ... It explains, as we have explained, the nongeographical purposes of the words “lawfully made under this title.” ... And it says nothing about geography. Nor, importantly, did § 109(a)'s predecessor provision. ... This means that, contrary to the dissent's suggestion, any lack of legislative history pertaining to the “first sale” doctrine only tends to bolster our position that Congress' 1976 revision did not intend to create a drastic geographical change in its revision to that provision. ... We consequently believe that the legislative history, on balance, supports the nongeographical interpretation.

Third, Wiley and the dissent claim that a nongeographical interpretation will make it difficult, perhaps impossible, for publishers (and other copyright holders) to divide foreign and domestic markets. We concede that is so. A publisher may find it more difficult to charge different prices for the same book in different geographic markets. But we do not see how these facts help Wiley, for we can find no basic principle of copyright law that suggests that publishers are especially entitled to such rights.

The Constitution describes the nature of American copyright law by providing Congress with the power to “secur[e]” to “[a]uthors” “for limited [t]imes” the “exclusive [r]ight to their ... [w]ritings.” Art. I, § 8, cl. 8. The Founders, too, discussed the need to grant an author a limited right to exclude competition. ... But the Constitution's language nowhere suggests that its limited exclusive right should include a right to divide markets or a concomitant right to charge different purchasers different prices for the same book, say to increase or to maximize gain. Neither, to our knowledge, did any Founder make any such suggestion. We have found no precedent suggesting a legal preference for interpretations of copyright statutes that would provide for market divisions. ...

To the contrary, Congress enacted a copyright law that (through the “first sale” doctrine) limits copyright holders' ability to divide domestic markets. And that limitation is consistent with antitrust laws that ordinarily forbid market divisions. ... Whether copyright owners should, or should not, have more than ordinary commercial power to divide international markets is a matter for Congress to decide. We do no more here than try to determine what decision Congress has taken.

Fourth, the dissent and Wiley contend that our decision launches United States copyright law into an unprecedented regime of “international exhaustion.” ... But they point to nothing indicative of congressional intent in 1976. The dissent also claims that it is clear that the United States now opposes adopting such a regime, but the Solicitor General as amicus has taken no such position in this case. In fact, when pressed at oral argument, the Solicitor General stated that the consequences of Wiley's reading of the statute (perpetual downstream control) were “worse” than those of *Kirtsaeng's* reading (restriction of market segmentation). ... And the dissent's reliance on the Solicitor General's position in *Quality King* is undermined by his agreement in that case with our reading of § 109(a).

...

Moreover, the exhaustion regime the dissent apparently favors would provide that “the sale in one country of a good” does not “exhaus[t] the intellectual-property owner’s right to control the distribution of that good elsewhere.” ... But our holding in *Quality King* that § 109(a) is a defense in U.S. courts even when “the first sale occurred abroad,” ... has already significantly eroded such a principle.

IV

For these reasons we conclude that the considerations supporting Kirtsaeng’s nongeographical interpretation of the words “lawfully made under this title” are the more persuasive. The judgment of the Court of Appeals is reversed, and the case is remanded for further proceedings consistent with this opinion.

KAGAN, J (with ALITO, J.) (Concurring): I concur fully in the Court’s opinion. Neither the text nor the history of 17 U.S.C. § 109(a) supports removing first-sale protection from every copy of a protected work manufactured abroad. ... I recognize, however, that the combination of today’s decision and *Quality King* ... constricts the scope of § 602(a)(1)’s ban on unauthorized importation. I write to suggest that any problems associated with that limitation come not from our reading of § 109(a) here, but from *Quality King*’s holding that § 109(a) limits § 602(a)(1).

...

... John Wiley is right that the Court’s decision, when combined with *Quality King*, substantially narrows § 602(a)(1)’s ban on unauthorized importation. ... In now holding that copies “lawfully made under this title” include copies manufactured abroad, we unavoidably diminish § 602(a)(1)’s scope—indeed, limit it to a fairly esoteric set of applications.

But if Congress views the shrinking of § 602(a)(1) as a problem, it should recognize *Quality King*—not our decision today—as the culprit. Here, after all, we merely construe § 109(a); *Quality King* is the decision holding that § 109(a) limits § 602(a)(1). Had we come out the opposite way in that case, § 602(a)(1) would allow a copyright owner to restrict the importation of copies irrespective of the first-sale doctrine. ...

...

At bottom, John Wiley (together with the dissent) asks us to misconstrue § 109(a) in order to restore § 602(a)(1) to its purportedly rightful function of enabling copyright holders to segment international markets. I think John Wiley may have a point about what § 602(a)(1) was designed to do; that gives me pause about *Quality King*’s holding that the first-sale doctrine limits the importation ban’s scope. But the Court today correctly declines the invitation to save § 602(a)(1) from *Quality King* by destroying the first-sale protection that § 109(a) gives to every owner of a copy manufactured abroad. That would swap one (possible) mistake for a much worse one, and make our reading of the statute only less reflective of Congressional intent. If Congress thinks copyright owners need greater power to restrict importation and thus divide markets, a ready solution is at hand—not the one John Wiley offers in this case, but the one the Court rejected in *Quality King*.

GINSBURG, J. (With KENNEDY, J and, in part, SCALIA, J.), Dissenting: [Justice Ginsburg recapitulates her arguments in *Quality King*. The majority opinion describes the arguments of the dissent in Justice Breyer’s rebuttal. In her dissent, Justice Ginsburg elaborates upon the arguments. Her theme is essentially that:]

To justify a holding that shrinks to insignificance copyright protection against the unauthorized importation of foreign-made copies, the Court identifies several “practical problems.” ... The Court’s parade of horrors, however, is largely imaginary. Congress’ objective in enacting 17 U.S.C. § 602(a)(1)’s importation prohibition can be honored without generating the absurd consequences

hypothesized in the Court’s opinion. I dissent from the Court’s embrace of “international exhaustion,” and would affirm the sound judgment of the Court of Appeals.

...

The Court does not deny that under the language I have quoted from *Quality King*, Wiley would prevail. ... Nevertheless, the Court dismisses this language, to which all Members of the *Quality King* Court subscribed, as ill-considered dictum. ... I agree that the discussion was dictum in the sense that it was not essential to the Court’s judgment. ... But I disagree with the Court’s conclusion that this dictum was ill considered. Instead,... I would hold, consistently with *Quality King*’s dictum, that § 602(a)(1) authorizes a copyright owner to bar the importation of a copy manufactured abroad for sale abroad.

...

§3.1, D, 3: “Public Performance”

Page 278 (insert before “4. Performing Rights Societies”):

In *United States v. American Society of Composers, Authors and Publishers*, 627 F.3d 64 (2d Cir. 2010), cert. denied, 132 S.Ct. 366 (2011) the Second Circuit, relying strongly on *Cartoon Network*, unequivocally held that, while internet music “streaming” is a public performance of the musical work, music downloading is not:

In answering the question of whether a download is a public performance, we turn to Section 101 of the Copyright Act, which states that “[t]o ‘perform’ a work means to recite, render, play, dance, or act it, either directly or by means of any device or process.” ... A download plainly is neither a “dance” nor an “act.” Thus, we must determine whether a download of a musical work falls within the meaning of the terms “recite,” “render,” or “play.”

...

The ordinary sense of the words “recite,” “render,” and “play” refer to actions that can be perceived contemporaneously. To “recite” is “to repeat from memory or read aloud esp[ecially] before an audience,” Webster’s Third New International Dictionary 1895 (1981); to “render” is to “say over: recite, repeat,”⁹ *id.* at 1922; and to “play” is to “perform on a musical instrument,” “sound in performance,” “reproduce sound of recorded material,” or “act on a stage or in some other dramatic medium,” *id.* at 1737. All three actions entail contemporaneous perceptibility.

These definitions comport with our common-sense understandings of these words. Itzhak Perlman gives a “recital” of Beethoven’s Violin Concerto in D Major when he performs it aloud before an audience. Jimmy Hendrix memorably (or not, depending on one’s sensibility) offered a “rendition” of the Star-Spangled Banner at Woodstock when he performed it aloud in 1969. Yo-Yo Ma “plays” the Cello Suite No. 1 when he draws the bow across his cello strings to audibly reproduce the notes that Bach inscribed. Music is neither

⁹ The one definition that, if applicable, would support ASCAP’s position is the definition of “to render” that is “to hand over to another (as the intended recipient): deliver, transmit.” ... We do not, however, find this definition to be applicable in the context of the Copyright Act’s definition of “to perform.” “To render” does not stand alone in the § 101 definition of “to perform”; it is contained within a list of words that, by association, give content to the term within the context of the statute. In addition to the fact that “to recite” and “to play” require contemporaneous perceptibility, the remaining terms in the § 101 definition of “to perform”—“to dance” and “to act”—are also actions that are necessarily perceptible by sight and sound.

recited, rendered, nor played when a recording (electronic or otherwise) is simply delivered to a potential listener.

The final clause of the § 101 definition of “to perform” further confirms our interpretation. It states that “[t]o ‘perform’ ... a motion picture or other audiovisual work ... [is] to show its images in any sequence or to make the sounds accompanying it audible.” 17 U.S.C. § 101. The fact that the statute defines performance in the audio-visual context as “show[ing]” the work or making it “audible” reinforces the conclusion that “to perform” a musical work entails contemporaneous perceptibility. ASCAP has provided no reason, and we can surmise none, why the statute would require a contemporaneously perceptible event in the context of an audio-visual work, but not in the context of a musical work.

The downloads at issue in this appeal are not musical performances that are contemporaneously perceived by the listener. They are simply transfers of electronic files containing digital copies from an on-line server to a local hard drive. The downloaded songs are not performed in any perceptible manner during the transfers; the user must take some further action to play the songs after they are downloaded. Because the electronic download itself involves no recitation, rendering, or playing of the musical work encoded in the digital transmission, we hold that such a download is not a performance of that work, as defined by § 101.

ASCAP, pointing to the definition of “publicly” in § 101, argues that a download constitutes a public performance. Section 101 defines “[t]o perform or display a work ‘publicly’ ” as follows:

(1) to perform or display it 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; or (2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.

... ASCAP argues that downloads fall under clause (2) of this definition because downloads “transmit or otherwise communicate a performance,” ... namely the initial or underlying performance of the copyrighted work, to the public. We find this argument unavailing. The definition of “publicly” simply defines the circumstances under which a performance will be considered public; it does not define the meaning of “performance.” Moreover, ASCAP’s proposed interpretation misreads the definition of “publicly.” As we concluded in *Cartoon Network LP v. CSC Holdings, Inc.*, “when Congress speaks of transmitting a performance to the public, it refers to the performance created by the act of transmission,” not simply to transmitting a recording of a performance. ... ASCAP’s alternative interpretation is flawed because, in disaggregating the “transmission” from the simultaneous “performance” and treating the transmission itself as a performance, ASCAP renders superfluous the subsequent “a performance ... of the work” as the object of the transmittal. ... In contrast, our interpretation in *Cartoon Network* recognizes that a “transmittal of a work” is distinct from a transmittal of “a performance”—the former being a transmittal of the underlying work and the latter being a transmittal that is itself a performance of the underlying work. ...

The Internet Companies’ stream transmissions, which all parties agree constitute public performances, illustrate why a download is not a public performance. A stream is an electronic transmission that renders the musical work audible as it is received by the client-computer’s temporary memory. This transmission, like a television or radio broadcast, is a performance

because there is a playing of the song that is perceived simultaneously with the transmission. ... In contrast, downloads do not immediately produce sound; only after a file has been downloaded on a user's hard drive can he perceive a performance by playing the downloaded song.¹⁰ Unlike musical works played during radio broadcasts and stream transmissions, downloaded musical works are transmitted at one point in time and performed at another. Transmittal without a performance does not constitute a "public performance." ...

...

... Just as in *Cartoon Network*, the Internet Companies transmit a copy of the work to the user, who then plays his unique copy of the song whenever he wants to hear it; because the performance is made by a unique reproduction of the song that was sold to the user, the ultimate performance of the song is not "to the public." ...¹¹

Cartoon Network was the predicate for another, and far reaching, limitation on what is a "public" performance in *WNET Thirteen v. Aereo, Inc.*, 712 F.3d 676 (2d Cir. 2013). There, a divided Second Circuit panel, relying and building on *Cartoon Network*, held that the defendant, who retransmitted over the air television broadcast signals to subscribers' computers was not publicly performing the works because it employed a very large array of very small antennae to receive and transmit the broadcasts in such a way that, for the purpose of any one broadcast, each individual subscriber was assigned and temporarily controlled his or her individual antenna. This far-reaching and controversial opinion was reversed by the Supreme Court in the following opinion.

American Broadcasting Companies, Inc. v. Aereo, Inc.

Supreme Court of the United States, 2014
134 S.Ct. 2498

Paul D. Clement, Paul M. Smith, Matthew E. Price, Erin E. Murphy, Richard L. Stone, Amy M. Gallegos, Bruce P. Keller, Jeffrey P. Cunard, for Petitioners

David C. Frederick, Brenda M. Cotter, Daniel Brown, Aaron M. Panner, Brendan J. Crimmins, Caitlin S. Hall, R. David Hosp, Mark S. Puzella, Seth D. Greenstein, for Respondent.

Malcolm Stewart for the United States as amicus curiae, by special leave of the Court, supporting the Petitioners.

BREYER, J.: The Copyright Act of 1976 gives a copyright owner the "exclusive righ [t]" to "perform the copyrighted work publicly." 17 U.S.C. § 106(4). The Act's Transmit Clause defines that exclusive right as including the right to

¹⁰ Our opinion does not foreclose the possibility, under certain circumstances not presented in this case, that a transmission could constitute both a stream and a download, each of which implicates a different right of the copyright holder.

¹¹ Several amici suggest that our obligations under the 1997 World Intellectual Property Organization Copyright Treaty ("WIPO Copyright Treaty") require us to find that downloads of musical works constitute public performances. The WIPO Copyright Treaty provides authors with the following right:

[T]he exclusive right of authorizing any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access these works from a place and at a time individually chosen by them.

... Congress has recognized that this treaty does not "require any change in the substance of copyright rights," see H.R.Rep. No. 105-551(I), at 9 (1998), in part because the Copyright Act already permits copyright holders to control the reproduction and distribution of their musical works over the Internet. To the extent that a download implicates these rights, the conclusion that a download does not also trigger the public performance right does not infringe on Article 8 of the WIPO Copyright Treaty. The other policy arguments raised by ASCAP and amici—regarding global harmony of doctrine, and adequate compensation—are better addressed to Congress, which has the power to amend the Copyright Act. ...

“transmit or otherwise communicate a performance ... of the [copyrighted] work ... to the public, by means of any device or process, whether the members of the public capable of receiving the performance ... receive it in the same place or in separate places and at the same time or at different times.”

§ 101.

We must decide whether respondent Aereo, Inc., infringes this exclusive right by selling its subscribers a technologically complex service that allows them to watch television programs over the Internet at about the same time as the programs are broadcast over the air. We conclude that it does.

I

A

For a monthly fee, Aereo offers subscribers broadcast television programming over the Internet, virtually as the programming is being broadcast. Much of this programming is made up of copyrighted works. Aereo neither owns the copyright in those works nor holds a license from the copyright owners to perform those works publicly.

Aereo’s system is made up of servers, transcoders, and thousands of dime-sized antennas housed in a central warehouse. It works roughly as follows: First, when a subscriber wants to watch a show that is currently being broadcast, he visits Aereo’s website and selects, from a list of the local programming, the show he wishes to see.

Second, one of Aereo’s servers selects an antenna, which it dedicates to the use of that subscriber (and that subscriber alone) for the duration of the selected show. A server then tunes the antenna to the over-the-air broadcast carrying the show. The antenna begins to receive the broadcast, and an Aereo transcoder translates the signals received into data that can be transmitted over the Internet.

Third, rather than directly send the data to the subscriber, a server saves the data in a subscriber-specific folder on Aereo’s hard drive. In other words, Aereo’s system creates a subscriber-specific copy—that is, a “personal” copy—of the subscriber’s program of choice.

Fourth, once several seconds of programming have been saved, Aereo’s server begins to stream the saved copy of the show to the subscriber over the Internet. (The subscriber may instead direct Aereo to stream the program at a later time, but that aspect of Aereo’s service is not before us.) The subscriber can watch the streamed program on the screen of his personal computer, tablet, smart phone, Internet-connected television, or other Internet-connected device. The streaming continues, a mere few seconds behind the over-the-air broadcast, until the subscriber has received the entire show. See *A Dictionary of Computing* 494 (6th ed. 2008) (defining “streaming” as “[t]he process of providing a steady flow of audio or video data so that an Internet user is able to access it as it is transmitted”).

Aereo emphasizes that the data that its system streams to each subscriber are the data from his own personal copy, made from the broadcast signals received by the particular antenna allotted to him. Its system does not transmit data saved in one subscriber’s folder to any other subscriber. When two subscribers wish to watch the same program, Aereo’s system activates two separate antennas and saves two separate copies of the program in two separate folders. It then streams the show to the subscribers through two separate transmissions—each from the subscriber’s personal copy.

B

Petitioners are television producers, marketers, distributors, and broadcasters who own the copyrights in many of the programs that Aereo’s system streams to its subscribers. They brought suit against Aereo for copyright infringement in Federal District Court. They sought a preliminary

injunction, arguing that Aereo was infringing their right to “perform” their works “publicly,” as the Transmit Clause defines those terms.

The District Court denied the preliminary injunction. ...Relying on prior Circuit precedent, a divided panel of the Second Circuit affirmed. *WNET, Thirteen v. Aereo, Inc.*, 712 F.3d 676 (2013) (citing *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, 536 F.3d 121 (2008)). In the Second Circuit’s view, Aereo does not perform publicly within the meaning of the Transmit Clause because it does not transmit “to the public.” Rather, each time Aereo streams a program to a subscriber, it sends a private transmission that is available only to that subscriber. The Second Circuit denied rehearing en banc, over the dissent of two judges. ... We granted certiorari.

II

This case requires us to answer two questions: First, in operating in the manner described above, does Aereo “perform” at all? And second, if so, does Aereo do so “publicly”? We address these distinct questions in turn.

Does Aereo “perform”? ... § 101 (“To perform ... a work ‘publicly’ means [among other things] to transmit ... a performance ... of the work ... to the public ...” (emphasis added)). Phrased another way, does Aereo “transmit ... a performance” when a subscriber watches a show using Aereo’s system, or is it only the subscriber who transmits? In Aereo’s view, it does not perform. It does no more than supply equipment that “emulate[s] the operation of a home antenna and [digital video recorder (DVR)].” ... Like a home antenna and DVR, Aereo’s equipment simply responds to its subscribers’ directives. So it is only the subscribers who “perform” when they use Aereo’s equipment to stream television programs to themselves.

Considered alone, the language of the Act does not clearly indicate when an entity “perform[s]” (or “transmit[s]”) and when it merely supplies equipment that allows others to do so. But when read in light of its purpose, the Act is unmistakable: An entity that engages in activities like Aereo’s performs.

A

History makes plain that one of Congress’ primary purposes in amending the Copyright Act in 1976 was to overturn this Court’s determination that community antenna television (CATV) systems (the precursors of modern cable systems) fell outside the Act’s scope. In *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390 (1968), the Court considered a CATV system that carried local television broadcasting, much of which was copyrighted, to its subscribers in two cities. The CATV provider placed antennas on hills above the cities and used coaxial cables to carry the signals received by the antennas to the home television sets of its subscribers. The system amplified and modulated the signals in order to improve their strength and efficiently transmit them to subscribers. A subscriber “could choose any of the ... programs he wished to view by simply turning the knob on his own television set.” ... The CATV provider “neither edited the programs received nor originated any programs of its own.” ...

Asked to decide whether the CATV provider infringed copyright holders’ exclusive right to perform their works publicly, the Court held that the provider did not “perform” at all. ...The Court drew a line: “Broadcasters perform. Viewers do not perform.” ... And a CATV provider “falls on the viewer’s side of the line.” ...

The Court reasoned that CATV providers were unlike broadcasters:

“Broadcasters select the programs to be viewed; CATV systems simply carry, without editing, whatever programs they receive. Broadcasters procure programs and propagate them to the public; CATV systems receive programs that have been released to the public and carry them by private channels to additional viewers.” ...

Instead, CATV providers were more like viewers, for “the basic function [their] equipment serves is little different from that served by the equipment generally furnished by” viewers. ... “Essentially,” the Court said, “a CATV system no more than enhances the viewer’s capacity to receive the broadcaster’s signals [by] provid[ing] a well-located antenna with an efficient connection to the viewer’s television set.” ... Viewers do not become performers by using “amplifying equipment,” and a CATV provider should not be treated differently for providing viewers the same equipment. ...

In *Teleprompter Corp. v. Columbia Broadcasting System, Inc.*, 415 U.S. 394 (1974), the Court considered the copyright liability of a CATV provider that carried broadcast television programming into subscribers’ homes from hundreds of miles away. Although the Court recognized that a viewer might not be able to afford amplifying equipment that would provide access to those distant signals, it nonetheless found that the CATV provider was more like a viewer than a broadcaster. ... It explained: “The reception and rechanneling of [broadcast television signals] for simultaneous viewing is essentially a viewer function, irrespective of the distance between the broadcasting station and the ultimate viewer.” ...

The Court also recognized that the CATV system exercised some measure of choice over what to transmit. But that fact did not transform the CATV system into a broadcaster. A broadcaster exercises significant creativity in choosing what to air, the Court reasoned. ... In contrast, the CATV provider makes an initial choice about which broadcast stations to retransmit, but then “ ‘simply carr[ies], without editing, whatever programs [it] receive[s].’ ” ... (quoting *Fortnightly* ...).

B

In 1976 Congress amended the Copyright Act in large part to reject the Court’s holdings in *Fortnightly* and *Teleprompter*. See H.R. Rep. No. 94–1476, pp. 86–87 (1976) (hereinafter H.R. Rep.) ... Congress enacted new language that erased the Court’s line between broadcaster and viewer, in respect to “perform [ing]” a work. The amended statute clarifies that to “perform” an audiovisual work means “to show its images in any sequence or to make the sounds accompanying it audible.” § 101; ... Under this new language, both the broadcaster and the viewer of a television program “perform,” because they both show the program’s images and make audible the program’s sounds. See H.R. Rep., at 63 (“[A] broadcasting network is performing when it transmits [a singer’s performance of a song] ... and any individual is performing whenever he or she ... communicates the performance by turning on a receiving set”).

Congress also enacted the Transmit Clause, which specifies that an entity performs publicly when it “transmit[s] ... a performance ... to the public.” § 101; ... Cable system activities, like those of the CATV systems in *Fortnightly* and *Teleprompter*, lie at the heart of the activities that Congress intended this language to cover. See H.R. Rep., at 63 (“[A] cable television system is performing when it retransmits [a network] broadcast to its subscribers”); see also *ibid.* (“[T]he concep[t] of public performance ... cover[s] not only the initial rendition or showing, but also any further act by which that rendition or showing is transmitted or communicated to the public”). The Clause thus makes clear that an entity that acts like a CATV system itself performs, even if when doing so, it simply enhances viewers’ ability to receive broadcast television signals.

Congress further created a new section of the Act to regulate cable companies’ public performances of copyrighted works. See § 111. Section 111 creates a complex, highly detailed compulsory licensing scheme that sets out the conditions, including the payment of compulsory fees, under which cable systems may retransmit broadcasts. ...

Congress made these three changes to achieve a similar end: to bring the activities of cable systems within the scope of the Copyright Act.

C

This history makes clear that Aereo is not simply an equipment provider. Rather, Aereo, and not just its subscribers, “perform[s]” (or “transmit[s]”). Aereo’s activities are substantially similar to those of the CATV companies that Congress amended the Act to reach. ... Aereo sells a service that allows subscribers to watch television programs, many of which are copyrighted, almost as they are being broadcast. In providing this service, Aereo uses its own equipment, housed in a centralized warehouse, outside of its users’ homes. By means of its technology (antennas, transcoders, and servers), Aereo’s system “receive[s] programs that have been released to the public and carr[ies] them by private channels to additional viewers.” *Fortnightly*, 392 U.S., at 400. It “carr[ies] ... whatever programs [it] receive[s],” and it offers “all the programming” of each over-the-air station it carries. *Id.*, at 392, 400.

Aereo’s equipment may serve a “viewer function”; it may enhance the viewer’s ability to receive a broadcaster’s programs. It may even emulate equipment a viewer could use at home. But the same was true of the equipment that was before the Court, and ultimately before Congress, in *Fortnightly* and *Teleprompter*.

We recognize, and Aereo and the dissent emphasize, one particular difference between Aereo’s system and the cable systems at issue in *Fortnightly* and *Teleprompter*. The systems in those cases transmitted constantly; they sent continuous programming to each subscriber’s television set. In contrast, Aereo’s system remains inert until a subscriber indicates that she wants to watch a program. Only at that moment, in automatic response to the subscriber’s request, does Aereo’s system activate an antenna and begin to transmit the requested program.

This is a critical difference, says the dissent. It means that Aereo’s subscribers, not Aereo, “select[t] the copyrighted content” that is “perform [ed],” ... and for that reason they, not Aereo, “transmit” the performance. Aereo is thus like “a copy shop that provides its patrons with a library card.” ... A copy shop is not directly liable whenever a patron uses the shop’s machines to “reproduce” copyrighted materials found in that library. ... And by the same token, Aereo should not be directly liable whenever its patrons use its equipment to “transmit” copyrighted television programs to their screens.

In our view, however, the dissent’s copy shop argument, in whatever form, makes too much out of too little. Given Aereo’s overwhelming likeness to the cable companies targeted by the 1976 amendments, this sole technological difference between Aereo and traditional cable companies does not make a critical difference here. The subscribers of the *Fortnightly* and *Teleprompter* cable systems also selected what programs to display on their receiving sets. Indeed, as we explained in *Fortnightly*, such a subscriber “could choose any of the ... programs he wished to view by simply turning the knob on his own television set.” ... The same is true of an Aereo subscriber. Of course, in *Fortnightly* the television signals, in a sense, lurked behind the screen, ready to emerge when the subscriber turned the knob. Here the signals pursue their ordinary course of travel through the universe until today’s “turn of the knob”—a click on a website—activates machinery that intercepts and reroutes them to Aereo’s subscribers over the Internet. But this difference means nothing to the subscriber. It means nothing to the broadcaster. We do not see how this single difference, invisible to subscriber and broadcaster alike, could transform a system that is for all practical purposes a traditional cable system into “a copy shop that provides its patrons with a library card.”

In other cases involving different kinds of service or technology providers, a user’s involvement in the operation of the provider’s equipment and selection of the content transmitted may well bear on whether the provider performs within the meaning of the Act. But the many similarities between Aereo and cable companies, considered in light of Congress’ basic purposes in amending the Copyright Act, convince us that this difference is not critical here. We conclude that Aereo is not just an equipment supplier and that Aereo “perform[s].”

III

Next, we must consider whether Aereo performs petitioners' works "publicly," within the meaning of the Transmit Clause. Under the Clause, an entity performs a work publicly when it "transmit[s] ... a performance ... of the work ... to the public." § 101. Aereo denies that it satisfies this definition. It reasons as follows: First, the "performance" it "transmit[s]" is the performance created by its act of transmitting. And second, because each of these performances is capable of being received by one and only one subscriber, Aereo transmits privately, not publicly. Even assuming Aereo's first argument is correct, its second does not follow.

We begin with Aereo's first argument. What performance does Aereo transmit? Under the Act, "[t]o 'transmit' a performance ... is to communicate it by any device or process whereby images or sounds are received beyond the place from which they are sent." And "[t]o 'perform' " an audiovisual work means "to show its images in any sequence or to make the sounds accompanying it audible." ...

Petitioners say Aereo transmits a prior performance of their works. Thus when Aereo retransmits a network's prior broadcast, the underlying broadcast (itself a performance) is the performance that Aereo transmits. Aereo, as discussed above, says the performance it transmits is the new performance created by its act of transmitting. That performance comes into existence when Aereo streams the sounds and images of a broadcast program to a subscriber's screen.

We assume *arguendo* that Aereo's first argument is correct. Thus, for present purposes, to transmit a performance of (at least) an audiovisual work means to communicate contemporaneously visible images and contemporaneously audible sounds of the work. ... When an Aereo subscriber selects a program to watch, Aereo streams the program over the Internet to that subscriber. Aereo thereby "communicate[s]" to the subscriber, by means of a "device or process," the work's images and sounds. § 101. And those images and sounds are contemporaneously visible and audible on the subscriber's computer (or other Internet-connected device). So under our assumed definition, Aereo transmits a performance whenever its subscribers watch a program.

But what about the Clause's further requirement that Aereo transmit a performance "to the public"? As we have said, an Aereo subscriber receives broadcast television signals with an antenna dedicated to him alone. Aereo's system makes from those signals a personal copy of the selected program. It streams the content of the copy to the same subscriber and to no one else. One and only one subscriber has the ability to see and hear each Aereo transmission. The fact that each transmission is to only one subscriber, in Aereo's view, means that it does not transmit a performance "to the public."

In terms of the Act's purposes, these differences do not distinguish Aereo's system from cable systems, which do perform "publicly." Viewed in terms of Congress' regulatory objectives, why should any of these technological differences matter? They concern the behind-the-scenes way in which Aereo delivers television programming to its viewers' screens. They do not render Aereo's commercial objective any different from that of cable companies. Nor do they significantly alter the viewing experience of Aereo's subscribers. Why would a subscriber who wishes to watch a television show care much whether images and sounds are delivered to his screen via a large multisubscriber antenna or one small dedicated antenna, whether they arrive instantaneously or after a few seconds' delay, or whether they are transmitted directly or after a personal copy is made? And why, if Aereo is right, could not modern CATV systems simply continue the same commercial and consumer-oriented activities, free of copyright restrictions, provided they substitute such new technologies for old? Congress would as much have intended to protect a copyright holder from the unlicensed activities of Aereo as from those of cable companies.

The text of the Clause effectuates Congress' intent. Aereo's argument to the contrary relies on the premise that "to transmit ... a performance" means to make a single transmission. But the Clause suggests that an entity may transmit a performance through multiple, discrete transmissions. That is because one can "transmit" or "communicate" something through a set of actions. Thus one can transmit a message to one's friends, irrespective of whether one sends separate identical e-mails to each friend or a single e-mail to all at once. So can an elected official communicate an idea, slogan, or speech to her constituents, regardless of whether she communicates that idea, slogan, or speech during individual phone calls to each constituent or in a public square.

The fact that a singular noun ("a performance") follows the words "to transmit" does not suggest the contrary. One can sing a song to his family, whether he sings the same song one-on-one or in front of all together. Similarly, one's colleagues may watch a performance of a particular play—say, this season's modern-dress version of "Measure for Measure"—whether they do so at separate or at the same showings. By the same principle, an entity may transmit a performance through one or several transmissions, where the performance is of the same work.

The Transmit Clause must permit this interpretation, for it provides that one may transmit a performance to the public "whether the members of the public capable of receiving the performance ... receive it ... at the same time or at different times." § 101. Were the words "to transmit ... a performance" limited to a single act of communication, members of the public could not receive the performance communicated "at different times." Therefore, in light of the purpose and text of the Clause, we conclude that when an entity communicates the same contemporaneously perceptible images and sounds to multiple people, it transmits a performance to them regardless of the number of discrete communications it makes.

We do not see how the fact that Aereo transmits via personal copies of programs could make a difference. The Act applies to transmissions "by means of any device or process." ... And retransmitting a television program using user-specific copies is a "process" of transmitting a performance. A "cop[y]" of a work is simply a "material objec[t] ... in which a work is fixed ... and from which the work can be perceived, reproduced, or otherwise communicated." ... So whether Aereo transmits from the same or separate copies, it performs the same work; it shows the same images and makes audible the same sounds. Therefore, when Aereo streams the same television program to multiple subscribers, it "transmit[s] ... a performance" to all of them.

Moreover, the subscribers to whom Aereo transmits television programs constitute "the public." Aereo communicates the same contemporaneously perceptible images and sounds to a large number of people who are unrelated and unknown to each other. This matters because, although the Act does not define "the public," it specifies that an entity performs publicly when it performs at "any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered." ... The Act thereby suggests that "the public" consists of a large group of people outside of a family and friends.

Neither the record nor Aereo suggests that Aereo's subscribers receive performances in their capacities as owners or possessors of the underlying works. This is relevant because when an entity performs to a set of people, whether they constitute "the public" often depends upon their relationship to the underlying work. When, for example, a valet parking attendant returns cars to their drivers, we would not say that the parking service provides cars "to the public." We would say that it provides the cars to their owners. We would say that a car dealership, on the other hand, does provide cars to the public, for it sells cars to individuals who lack a pre-existing relationship to the cars. Similarly, an entity that transmits a performance to individuals in their capacities as owners or possessors does not

perform to “the public,” whereas an entity like Aereo that transmits to large numbers of paying subscribers who lack any prior relationship to the works does so perform.

Finally, we note that Aereo’s subscribers may receive the same programs at different times and locations. This fact does not help Aereo, however, for the Transmit Clause expressly provides that an entity may perform publicly “whether the members of the public capable of receiving the performance ... receive it in the same place or in separate places and at the same time or at different times.” ... In other words, “the public” need not be situated together, spatially or temporally. For these reasons, we conclude that Aereo transmits a performance of petitioners’ copyrighted works to the public, within the meaning of the Transmit Clause.

IV

Aereo and many of its supporting amici argue that to apply the Transmit Clause to Aereo’s conduct will impose copyright liability on other technologies, including new technologies, that Congress could not possibly have wanted to reach. We agree that Congress, while intending the Transmit Clause to apply broadly to cable companies and their equivalents, did not intend to discourage or to control the emergence or use of different kinds of technologies. But we do not believe that our limited holding today will have that effect.

For one thing, the history of cable broadcast transmissions that led to the enactment of the Transmit Clause informs our conclusion that Aereo “perform [s],” but it does not determine whether different kinds of providers in different contexts also “perform.” For another, an entity only transmits a performance when it communicates contemporaneously perceptible images and sounds of a work.

...

Further, we have interpreted the term “the public” to apply to a group of individuals acting as ordinary members of the public who pay primarily to watch broadcast television programs, many of which are copyrighted. We have said that it does not extend to those who act as owners or possessors of the relevant product. And we have not considered whether the public performance right is infringed when the user of a service pays primarily for something other than the transmission of copyrighted works, such as the remote storage of content. ... In addition, an entity does not transmit to the public if it does not transmit to a substantial number of people outside of a family and its social circle.

We also note that courts often apply a statute’s highly general language in light of the statute’s basic purposes. Finally, the doctrine of “fair use” can help to prevent inappropriate or inequitable applications of the Clause. ...

We cannot now answer more precisely how the Transmit Clause or other provisions of the Copyright Act will apply to technologies not before us. We agree with the Solicitor General that “[q]uestions involving cloud computing, [remote storage] DVRs, and other novel issues not before the Court, as to which ‘Congress has not plainly marked [the] course,’ should await a case in which they are squarely presented.” ... And we note that, to the extent commercial actors or other interested entities may be concerned with the relationship between the development and use of such technologies and the Copyright Act, they are of course free to seek action from Congress. Cf. Digital Millennium Copyright Act, 17 U.S.C. § 512.

In sum, having considered the details of Aereo’s practices, we find them highly similar to those of the CATV systems in *Fortnightly* and *Teleprompter*. And those are activities that the 1976 amendments sought to bring within the scope of the Copyright Act. Insofar as there are differences, those differences concern not the nature of the service that Aereo provides so much as the technological manner in which it provides the service. We conclude that those differences are not adequate to place Aereo’s activities outside the scope of the Act.

For these reasons, we conclude that Aereo “perform[s]” petitioners’ copyrighted works “publicly,” as those terms are defined by the Transmit Clause. We therefore reverse the contrary judgment of the Court of Appeals, and we remand the case for further proceedings consistent with this opinion.

SCALIA, J., with THOMAS and ALIOTO, JJ, dissenting: ... I share the Court’s evident feeling that what Aereo is doing (or enabling to be done) to the Networks’ copyrighted programming ought not to be allowed. But perhaps we need not distort the Copyright Act to forbid it. As discussed at the outset, Aereo’s secondary liability for performance infringement is yet to be determined, as is its primary and secondary liability for reproduction infringement. If that does not suffice, then (assuming one shares the majority’s estimation of right and wrong) what we have before us must be considered a “loophole” in the law. It is not the role of this Court to identify and plug loopholes. It is the role of good lawyers to identify and exploit them, and the role of Congress to eliminate them if it wishes. Congress can do that, I may add, in a much more targeted, better informed, and less disruptive fashion than the crude “looks-like-cable-TV” solution the Court invents today. ...

§3.1, D, 4: Performing Rights Societies

Page 278 (insert before “5. Statutory Exemptions”):

In *United States v. American Society of Composers, Authors and Publishers*, the court had to deal with the extraordinarily complex problem of setting ASCAP performance rates for internet streaming:

United States v. American Society of Composers, Authors and Publishers

United States Court of Appeals, Second Circuit, 2010
627 F.3d 64, cert. denied, 132 S.Ct. 366 (2011)

Catherine E. Stetson, Joshua D. Hawley, Ira M. Feinberg, Chava Brandriss, Christopher J. Glancy, I. Fred Koenigsberg, Stefan M. Mentzer, Joan M. McGivern, Richard H. Reimer, Christine A. Pepe, for Defendant-Appellant-Cross-Appellee.

Thomas P. Lane, Michael S. Elkin, Robert C. Turner, for Applicant-Appellee-Cross-Appellant Yahoo! Inc.

Kenneth L. Steinthal, Harris Cohen, Jonathan Bloom, Gregory Silbert, for Applicant-Appellee-Cross-Appellant RealNetworks, Inc.

Nicholas Bagley, Tony West, Philip J. Weiser, Scott R. McIntosh, Catherine G. O’Sullivan, David Seidman, for United States.

Michael E. Salzman, Marvin L. Berenson, Joseph J. DiMona, John Coletta, for Amicus Curiae Broadcast Music, Inc.

Keenan Popwell, John C. Beiter, for Amicus Curiae SESAC, Inc.

David Leichtman, Hillel I. Parness, W. Edward Bailey, Eleanor M. Lackman, David Uwemedimo, for Amicus Curiae Confederation Internationale des Societes d’Auteurs et Compositeurs.

Jay Cohen, Lynn B. Bayard, Jay Rosenthal, Kathryn E. Wagner, for Amici Curiae Association of Independent Music Publishers, Church Music Publishers Association, Music Publishers’ Association of the United States, National Music Publishers’ Association, Inc., and Production Music Association.

Charles Cummings, Carl W. Hampe, Charles J. Sanders, for Amici Curiae The Society of Composers and Lyricists, National Academy of Recording Arts and Sciences, Inc., Ad Hoc Coalition of Production Music Company Owners, The Game Audio Network Guild, and Songwriters Guild of America.

Al J. Daniel, Toby M.J. Butterfield, Christopher J. Marino, Paul Spurgeon, for Amicus Curiae The Society of Composers, Authors, and Music Publishers of Canada.

Paul M. Smith, Steven R. Englund, Carrie F. Apfel, for Amici Curiae Digital Media Association, Entertainment Software Association, and Motion Picture Association of America, Inc.

John T. Mitchell, for Amici Curiae National Association of Recording Merchandisers, Inc., and Entertainment Merchants Association, Inc.

Susan Cleary, for Amicus Curiae Independent Film and Television Alliance.

Bruce G. Joseph, for Amicus Curiae CTIA-The Wireless Association.

WALKER, JR., J.: This case presents two distinct questions that arise from the transmittal of musical works over the Internet: First, whether a download of a digital file containing a musical work constitutes a public performance of that musical work; and, second, whether the district court, acting in its capacity as the rate court, was reasonable in its assessment of the blanket license fees of Yahoo! Inc. and RealNetworks, Inc. (collectively, “the Internet Companies”) to publicly perform any of the millions of musical compositions in the American Society of Composers, Authors and Publishers (“ASCAP”) repertory.

For the reasons set forth below, we affirm the district court’s ruling that a download of a musical work does not constitute a public performance of that work, but we vacate the district court’s assessment of fees for the blanket ASCAP licenses sought by the Internet Companies and remand for further proceedings.

Background

I. Facts

The Internet Companies seek separate blanket licenses to publicly perform the entirety of the ASCAP repertory for certain of their websites and services. A blanket license is a license that gives the licensee the right to perform all of the works in the repertory for a single stated fee that does not vary depending on how much music from the repertory the licensee actually uses. ... ASCAP licenses the non-dramatic, public performance rights in copyrighted musical works. More than 295,000 composers, songwriters, lyricists, and music publishers in the United States participate exclusively in licensing their music through ASCAP. ASCAP licenses approximately 45% of all of the musical works that are played on-line.

The Internet Companies perform music in myriad audio and audio-visual contexts. Yahoo! provides music content in various ways across its website. For example, a user can enjoy the specific song or music video he desires from an “on-demand” stream in Yahoo! Search, listen to a radio-style webcast in Yahoo! Music, view audio-visual clips from movies and television shows in Yahoo! Movies and Yahoo! TV, or upload and share his own videos using Yahoo! Video. However, only a small portion of the activity on Yahoo!’s website involves performances of musical works, and not all of the areas on Yahoo!’s website offer audio or audio-visual content.

RealNetworks performs music in audio and audio-visual contexts through a number of websites and subscription services. Like Yahoo!, these sites and services publicly perform musical works in numerous formats, including, inter alia, radio, television, movie, game, and music-video formats. Also like Yahoo!, only a portion of the content on RealNetworks’ sites and services consist of performances of musical works.

In addition to performing music on websites and through services, the Internet Companies offer to users copies of recordings of musical works through download transmittals. A download is a transmission of an electronic file containing a digital copy of a musical work that is sent from an on-line server to a local hard drive. ... With a download, the song is not audible to the user during the transfer. ... Only after the file has been saved on the user’s hard drive can he listen to the song by playing it using a software program on his local computer. ...

The Internet Companies primarily generate revenue from performances of musical works in two ways. On their websites, they make available, at no cost to users, performances of music, music videos, television programming, and the like that generate revenue from advertisements on the web page or in the audio or audio-visual player. The district court found that, in all of the forms of website advertising it considered, one principle is common: the larger the audience and the more times a site is visited, the greater the revenue generated. ... For example, advertisers typically pay for display advertising based on the number of “impressions,” or views, of the advertisement by users of the page on which an advertisement appears. The second primary way that the Internet Companies generate revenue from performing musical works is through subscription-based services.

II Procedural Background

Acting in its capacity as the rate court,⁴ the district court (William C. Conner, Judge) issued rulings in April 2007, April 2008, and January 2009 resolving the issues presented on appeal. In its 2007 decision, the district court held that a download of a digital file containing a musical work does not constitute a public performance of that work. In its 2008 decision, the district court determined a method for calculating the fees for the blanket licenses payable to ASCAP for the Internet Companies’ performances of musical works in the ASCAP repertory. In two separate opinions issued in January 2009, the district court, applying the method it determined in 2008, issued Final Fee Determinations for Yahoo! and RealNetworks, respectively.

In its second opinion, issued in 2008, the district court arrived at a license fee formula that multiplied a royalty rate by the percentage of revenue attributable to the performance of music. The district court applied a uniform royalty rate to the Internet Companies’ varying music uses that did not fluctuate over the different types of performances on the Internet Companies’ sites and services. In ultimately determining a royalty rate of 2.5% for both of the Internet Companies, the district court relied upon several benchmark agreements, including ASCAP’s agreements with Music Choice, terrestrial radio stations, the broadcast television networks, and the cable television networks.

For Yahoo!, because only a portion of the revenue generated from its website is attributable to performances of musical works, the district court decided to measure Yahoo!’s music-use revenue by multiplying the company’s total revenue from its licensed services—defined as those business units that publicly perform music—less certain customary costs (such as for advertising sales commissions and traffic acquisition expenses) by a music-use-adjustment factor (“MUAF”). The MUAF was a fraction that reflected the amount of time users spent streaming performances of musical works relative to their overall time on the website; its numerator was the number of hours of music streamed from the licensed sites and services, and its denominator was the number of hours that the company’s licensed sites and services were utilized.

For RealNetworks, the district court at first accepted ASCAP’s argument that it was unnecessary to apply a MUAF because, unlike Yahoo!, “the vast majority of RealNetworks’s revenue subject to fee is generated from subscription music services and advertising-supported sites where music is the central theme.” ... The district court, however, did reduce RealNetworks’ revenue figure by subtracting revenue attributable to RealNetworks’ Technology Products and Solutions business unit, which

⁴ In 1941, the United States brought a civil action against ASCAP for alleged violations of the Sherman Antitrust Act based on the fact that ASCAP’s members license their songs collectively, thereby enhancing their market power. The action was settled by the entry of a consent decree, ... which has subsequently been amended from time to time. The most recent version, entered on June 11, 2001, the Second Amended Final Judgment (“AFJ2”), currently regulates how ASCAP may participate in the music industry and gives the United States District Court for the Southern District of New York jurisdiction as the rate court to oversee the implementation of the AFJ2. In its capacity as the rate court, the district court determines a reasonable fee for an applicant’s ASCAP license. ...

develops and markets software products and services that enable wireless carriers, cable companies, and other media communication companies to distribute media content to PCs, mobile phones, and other non-PC devices. ... In its 2009 Final Fee Determination, the district court altered course and applied certain MUAFs to RealNetworks' various sites and services, but without explaining how it arrived at these MUAFs. ...

Discussion

I. Public Performance Right as Applied to Downloads

[The court held that although internet "streaming" of a musical work is a public performance of the work, downloading as such is not. See *supra*]

II. Fee Determination for Using the ASCAP Repertory

We now turn to the district court's determination of the appropriate fees payable by the Internet Companies for blanket licenses to publicly perform any of the millions of musical compositions in the ASCAP repertory. The district court determined these blanket license fees by applying a uniform royalty rate of 2.5% to the Internet Companies' music-use revenue, which was calculated by multiplying the total revenue from licensed services by a MUAF (music-use-adjustment factor), a fraction that reflected the amount of time users spent streaming performances of musical works relative to their overall time on the website. We conclude that the district court's analysis was flawed in two major respects.

First, the district court did not adequately support the reasonableness of its method for measuring the value of the Internet Companies' music use. Second, the district court did not adequately support the reasonableness of the 2.5% royalty rate applied to the value of the Internet Companies' music use. Accordingly, we remand to the district court so that it may redetermine reasonable fees for the licenses in light of the following discussion.

A. Standards of Review

"In order to find that the rate set by the District Court is reasonable, we must find both that the rate is substantively reasonable (that it is not based on any clearly erroneous findings of fact) and that it is procedurally reasonable (that the setting of the rate, including the choice and adjustment of a benchmark, is not based on legal errors)." ... Fundamental to the concept of "reasonableness" is a determination of what an applicant would pay in a competitive market, taking into account the fact that ASCAP, as a monopolist, "exercise[s] disproportionate power over the market for music rights." ...

"A rate court's determination of the fair market value of the music is often facilitated by the use of benchmarks—agreements reached after arms' length negotiation between other similar parties in the industry." ... Determinations by the district court that particular benchmarks are comparable and particular factors are relevant are questions of law reviewed *de novo*. ... However, factual findings as to each factor under consideration or those underlying a proposed benchmark agreement, as well as findings with respect to fair market value, are reviewed for clear error. ...

B. The District Court's Determination of the Music-Use-Adjustment Factor

Fundamental to the reasonableness of a fee for music use under a license is the reasonableness of the determination of the revenue attributable to the actual uses by the applicant of the music to which the rate percentage is to be applied. ... In this case, the value of the applicants' uses could not be premised on total revenue without an adjustment for the fact that some revenues were not at all attributable to any use of ASCAP music. The district court decided to make this adjustment by using a MUAF that discounted the total revenue to reflect only those revenues attributable to music use. We have no quarrel with the use of a MUAF here, but we find error in the district court's method of determining its components.

The district court began by calculating the total revenue of the licensed sites and services—defined as those business units that publicly perform music—less certain customary deductions, to arrive at the revenue base to which the MUAF was applied. The Internet Companies argue that total revenue, when used as the revenue base, bears no relation to the value they derive performing musical works on the Internet. This argument is unavailing because it overlooks the function of the MUAF, which can be understood as accounting for the value of the Internet Companies' music use in relation to their overall revenue. We find nothing wrong in concept with using a formula that reduces the total revenue of the licensed sites and services by a factor that, with substantial accuracy, accounts for music-use revenue, as the MUAF can be understood to do here. With respect to the components of the MUAF, however, we find error.

1. Yahoo!

The district court's MUAF accounts for the value of Yahoo!'s music use by using the amount of time that music is streamed. Streaming time, however, neither drives nor correlates with Yahoo!'s advertising revenue. The record evidence makes plain that Yahoo!'s advertising revenue model more accurately correlates with the number of times a particular page is accessed by users than to the duration of streaming time. To the extent that the district court's MUAF relied on an imprecise metric for determining advertising revenue attributable to music use when a superior metric was apparently available and practicable, the district court's method for calculating the MUAF was unreasonable. ...

Display advertising on the Internet is sold on a cost-per-thousand model that counts the total number of page impressions, i.e., how many times a particular page is accessed. Pages that are accessed a greater number of times occasion higher advertising rates because the advertisements on these pages are viewed with greater frequency. It is, thus, unreasonable to use streaming time, which has no necessary correlation with page views, as a proxy for the number of times a page is viewed; time spent on-line is not reflective of how a user interacts with a particular page.

A user may have a page open that he is not viewing at all, either because he has multiple pages open and is interacting with another page, website, or computer program, or because he has walked away from the computer altogether but has left that page open. For example, user A, who is listening to a four-minute song, may view only the page on which the song is playing in that four minutes because his exclusive focus is on the song, while user B, who is listening to the same song on as background music, may be simultaneously clicking on links and reading articles throughout Yahoo!'s website, and thus may be seeing multiple advertisements on multiple pages during that same four-minute period. The streaming time for users A and B is the same, but the advertising exposure of each differs widely.

The advertising marketplace takes account of the foregoing consideration by applying different advertising rates to different areas of the website. For example, advertising for radio-style webcasts in Yahoo! Music is priced at a rate lower than similarly placed ads on Yahoo!'s homepage, because users normally have the Yahoo! Music window minimized (and thus not viewable) for much of the time the radio-style music is playing, in contrast to other areas on Yahoo!, like the homepage, that

command greater viewer attention.¹⁵ The district court erred by constructing a MUAF that failed to take into account these various realities of Internet advertising.¹⁶

In sum, the district court erred by adopting an imprecise metric—music streaming time rather than page views—as the basis of its MUAF, without providing a sufficient rationale for that decision. We will not specify a particular method of developing a formula for determining music-use revenue on remand; we also leave it to the district court to determine whether it should proceed with a variant of its current formula (revenue multiplied by a MUAF) or in some other way altogether, in light of the foregoing discussion.

Yahoo! has also faulted the district court for using statistics with differing methodologies in the MUAF's numerator and denominator. In calculating the numerator, the district court used Yahoo!'s statistics for the number of hours of music streamed, which give no effect to the specific window engaged by the user. In calculating the denominator, the district court used statistics based on a different methodology provided by comScore Media Metrix for the total hours of use of the licensed sites and services. Unlike Yahoo!, comScore measures hours used only for the specific window that is engaged. The difference is that, in an instance in which a user has multiple windows open at one time, comScore will count the time for only the single window that is in active use, while Yahoo! will count the time for all the windows open. Yahoo!'s statistics thus reflect considerably greater use time than comScore's because, anytime a user has multiple windows open, Yahoo! is counting the time use for each of the Yahoo! windows open while comScore is counting the time use for only the single window engaged by the user. Without addressing whether one method is preferable to the other, we conclude that constructing a MUAF by using Yahoo!'s statistics for the numerator and comScore's statistics for the denominator is unreasonable because these statistics are not comparable, with the result that their comparison overstates music-streaming time.

The district court's opinion states that, as of the date of its issuance, Yahoo! had failed to supply any site-hours data comparable to that supplied by comScore that could have been used for the denominator, but that Yahoo! was free to do so before the district court ordered its Final Fee Determination. The parties disagree over whether Yahoo! ultimately furnished adequate total site-hours data. Because we remand for reconsideration of the MUAF, we refer this dispute to the district court. We do, however, note that in calculating any MUAF, the district court must strive to use measurements that are as consistent and as precise as practicable.

2. RealNetworks

¹⁵ We are not suggesting that the amount of time music is played has no correlation to the revenue attributable to music on Yahoo!'s licensed sites and services. Streaming time likely bears some relation to the importance of music on Yahoo!. Furthermore, we recognize that music can enhance a user's experience on Yahoo! even when he navigates away from the streaming page to another Yahoo! webpage. For example, music may be driving advertising revenue on the non-music page to the extent that the music is making Yahoo! experience, as a whole, more appealing. The district court may take this into account in the formula it adopts on remand. We find the district court's reasoning unreasonable not because streaming time bears no relation to the value of music to the revenue of the licenses sites and services, but because there is a more accurate metric available—page impressions—that the district court chose not to use without providing a sufficient reason.

¹⁶ We recognize that revenue is generated from music use by other methods as well, such as through site sponsorship or sponsored search results. However, the district court gave no rationale supporting the conclusion that streaming time is a better measure of the value created by these forms of advertising than it is for display advertising, nor did it indicate that these alternative forms of advertising were a significant part of its analysis. On remand, the district court may wish to address how its metric for calculating music-use revenue will interact with these alternative forms of advertising and whether they are significant in terms of its ultimate fee determination.

Turning to RealNetworks, as noted previously the district court in 2009 determined and applied differing MUAFs to RealNetworks' various licensed sites and services despite its decision not to apply MUAFs in 2008, without any explanation for the basis of these MUAFs. Accordingly, we remand for explanation (or reconsideration if the current MUAFs cannot be justified) because the district court's rationale was insufficient.

The district court applied the following MUAFs to RealNetworks. For its Rhapsody subscription service, the district court defined the MUAF's numerator as total number of plays of audio-music and music-video streams, and the denominator as the total number of Rhapsody streams plus the number of deliveries of conditionally downloaded music files to subscribers. ... For its SuperPass subscription service, the numerator was fixed as the total number of hours of streams to users in each month by means of the music-radio portion of SuperPass, and the denominator as the total number of SuperPass music hours plus the total number of hours of all other streams to users by means of SuperPass. ... And for RealNetworks' Music, and Media Software and Services groups, the district court used as the numerator the total number of hours of streams that non-subscription, on-demand, and radio-music users receive from RealNetworks' licensed sites, and as the denominator the total number of hours users spend on RealNetworks' licensed sites. ...

Because the district court failed to explain the basis for these MUAFs, and in light of the issues we raised with respect to the MUAF applied to Yahoo!, we remand for the district court to explain or reconsider the MUAFs applied to RealNetworks. In addition to consideration of any issues that it deems appropriate, the district court should address the following: (1) whether its method for calculating the MUAF for the Rhapsody subscription service is more precise or practicable than the method used in the benchmark agreements in the record; (2) whether there is a more precise way, that is also practicable, to account for the value of the music use for the SuperPass subscription service in light of the fact that some components of the subscription do not involve the streaming of content to users; and (3) whether there is a more precise and still practicable way to measure RealNetworks' advertising revenue, in light of the issues we raised in our discussion of Yahoo!'s MUAF.

C. The Royalty Rate Applied by the District Court

1. Yahoo!

The district court arrived at Yahoo!'s royalty rate by relying on benchmark agreements for blanket licenses that ASCAP entered into with Music Choice, terrestrial radio stations, the broadcast television networks, and cable television providers, as well as the rates that Yahoo! itself pays to the major record companies for music-video rights. The district court's factual findings that support selecting these benchmarks were not clearly erroneous. After reviewing the district court's analysis of these benchmarks in relation to this case, however, we hold that the district court unreasonably arrived at its decision to apply a uniform 2.5% royalty rate and that, in setting the royalty rate, the district court must follow an approach more tailored to the varying nature and scope of Yahoo!'s music use.

Beginning with the Music Choice benchmark, the district court found that Music Choice provides channels of music to listeners on a subscription basis via cable and satellite television and the Internet. Music Choice's channels are organized around genres of music, and, on the Internet, listeners have the option to create up to ten personalized audio channels. ASCAP's current blanket license with Music Choice, for the period January 1, 2006 through December 31, 2010, calls for payment of a royalty rate that is 2.5% of Music Choice's gross revenues, where gross revenue is defined as all revenues derived from the licensed services.

We conclude that the royalty rate agreed to by Music Choice provides strong support for applying a 2.5% royalty rate to those Yahoo! sites and services that provide access to music channels organized around music genre, similar to those on Music Choice. Additionally, it provides a basis for a 2.5%

royalty rate, or higher, for Yahoo! sites and services that permit an interactive music experience, in which the user may control the selection of music he is hearing, for example if a user tunes into a more customized station or uses Yahoo! Search to listen to songs on-demand. ...

However, the Music Choice benchmark does not justify applying a 2.5% royalty rate to all of Yahoo!'s music uses, because Yahoo! offers numerous sites and services that are less music intensive than Music Choice's offerings. The district court finessed the Music Choice benchmark's limited relevance by concluding that there are other benchmarks in the record that support applying a 2.5% royalty rate to all of Yahoo!'s performances of the ASCAP repertory. Because we conclude that these other benchmarks do not adequately support an across-the-board 2.5% royalty rate, we remand for reconsideration of a reasonable royalty rate.

Turning to the major broadcast television networks' agreements with ASCAP, the district court found that these agreements differed from Yahoo!'s because the major networks pay a flat rate for their ASCAP usage without regard to revenue (as specified in Yahoo!'s application) and that "[a similar] flat-fee structure is unsuitable for the online music industry," ... The district court nevertheless concluded that, by comparing the percentages of broadcast revenue that the television companies pay ASCAP under their flat royalty rate to the percentage of licensed services revenue that Yahoo! would pay if a 2.5% royalty rate (as well as a MUAF) were applied to its license, the networks' agreements could be "useful to gauge the reasonableness of the fee range ASCAP seeks from ... Yahoo!, and [Yahoo!'s] ability to pay the blanket fees rather than resorting to less efficient licensing options or foregoing the use of ASCAP music altogether." ...

The district court found that "[t]he three television networks, ABC, CBS, and NBC, have annual revenues in the range of \$3 to \$4 billion [,] comparable to current ... Yahoo! revenues" and that the networks pay a percentage of broadcast revenue for their ASCAP license that is comparable to the amount Yahoo! would have paid if a 2.5% royalty rate (as well as a MUAF) was applied to the total domestic revenue from the licensed services for the same period. From this finding, the district concluded that, to the extent that music is not much less important to Yahoo! than it is to the television networks, a 2.5% royalty rate is reasonable.

The district court similarly looked to percentage of total revenue when assessing ASCAP's agreements with the general-entertainment and music-intensive cable television networks. The district court found that the general-entertainment cable television networks pay 0.375% of total revenue derived from licensed services and that the music-intensive cable television networks pay 0.9% of licensed-services revenue derived from licensed services. As it did with the major broadcast television networks, the district court compared the percentage of total revenue that Yahoo! would pay under the court's formula to the 0.375% and 0.9% paid by the cable television networks to conclude that a flat 2.5% royalty rate, when multiplied by a MUAF, is reasonable for Yahoo!'s license.

We are unconvinced that percentage of revenue comparisons between broadcast and cable television networks, and Yahoo! are useful in determining a reasonable fee for Yahoo!'s public performances of the ASCAP repertory. Nearly every program on a television station somehow utilizes musical works. In contrast, only a fraction of the traffic on Yahoo!'s website uses music; much of Yahoo!'s website does not implicate any music use whatsoever. Given that Yahoo!'s revenue base relies far less on ASCAP content than the television networks' revenue base, we believe that comparing percentages of overall revenue bases is of little probative value in this benchmark analysis.²⁰

²⁰ The district court's analysis of the terrestrial radio stations's licensing agreements with ASCAP suffers from the same flaw.

These comparisons, moreover, indicate a deeper flaw in the district court's analysis: its inclination to lump all of Yahoo!'s varying musical uses together, instead of looking to the nature and scope of Yahoo!'s different types of uses and applying a rate that reflects (or rates that reflect) the varying nature of Yahoo!'s music use. ... The district court's finding that cable television networks pay 0.375% of their revenue for their ASCAP licenses is a good example. The most direct conclusion to be drawn from this benchmark is that providers of cable-style television will pay 0.375% of their revenue, in a competitive market, to license ASCAP music.²¹ However, the district court looked past this conclusion in setting the royalty rate and instead used this benchmark to justify applying a 2.5% *83 rate to all of Yahoo!'s music use based on an imprecise comparison of the percentages of overall revenue. We think a better approach would be to attempt, if practicable, to set a royalty rate that requires Yahoo! to pay a rate for its cable-style programming that is similar to that in the cable market.²²

Our view that a reasonable royalty rate should reflect the varying values of Yahoo!'s differing music uses is supported by Yahoo!'s license with BMI.²³ As previously noted, BMI is ASCAP's principal competitor in licensing the performance rights for musical works. The two rights organizations control approximately 90% of all on-line music performances, with roughly equal shares of the market. Because these two companies operate in the market in such similar manners, BMI's agreements are instructive. ...

In its negotiated agreement with BMI, Yahoo! agrees to pay the following license fees: (a) 1.75% of "Direct Revenue" from "Preprogrammed Radio"; (b) 2.5% of "Direct Revenue" from "On-Demand Streams"; (c) 2.15% of "Direct Revenue" from "User-Influenced Programming"; (d) 1.0% of "Direct Revenue" from "Audio-Visual Programming"; and (e) 0.6875% of "Yahoo! Music Advertising Revenue and Yahoo! Music Run of Site Allocation." This agreement, providing for a so-called "bucket" for each different use, supports the conclusion that the other benchmarks also suggest: the market assigns different values to Yahoo!'s different music uses and is capable of yielding a royalty rate that reflects the varying intensity of Yahoo!'s music uses.²⁴

The district court found that effectuating the BMI structure is quite complex, because Yahoo! is required to subdivide its sites and services into 17 separate revenue categories that are apportioned into

²¹ This conclusion is supported by the fact that the major broadcast television networks, which perform a blend of cable-television style programming, as well as less music-intensive programming such as news and sports, pay between 0.24%-0.34% for their ASCAP licenses.

²² The district court's analysis of Yahoo!'s agreement with the major record companies is erroneous for the same reason. The court did not use this benchmark to assess how much Yahoo! should pay for its right to perform ASCAP musical works in music videos. It instead used this benchmark to make a far more general conclusion concerning how much Yahoo! should pay for all of its various music uses.

²³ The district court concluded that the royalty rates used in the BMI-Yahoo! license are not probative of what the market would yield for Yahoo!'s license in this case because, it concluded, the BMI-Yahoo! license is a "per-segment" license that confers a different set of rights than the "blanket" license Yahoo! seeks from ASCAP. Yahoo! contests this finding. In light of our remand, it is not necessary to rule on this issue. We leave it open to the district court, however, to revisit this finding on remand.

²⁴ ASCAP's licensing agreement with Turner Broadcasting further supports the conclusion that the market is capable of yielding a royalty rate that reflects the varying intensity of Yahoo!'s music uses. Turner owns numerous types of television stations that use music differently from one another—including, by way of example, general entertainment cable television stations such as TNT and TBS, and a cable news station, CNN—all of which are covered under a single license with ASCAP. Similar to Yahoo!'s agreement with BMI, Turner's license with ASCAP includes different rates on a per-network basis, thereby reflecting the economic reality that Turner's different channels use ASCAP's repertory in manners that the market values differently.

“5 buckets” and that, to report the revenue under these categories, Yahoo! is required to make dozens of calculations and collect numerous data points. “Because most of these data [points] are not ordinarily collected for other business purposes,” the district court concluded that “their accuracy [i]s suspect and auditing [Yahoo!’s] reports [i]s difficult and expensive.” The district court found that the BMI method is additionally complicated by how the parties decide what revenue is “directly attributable” to the streaming of music. ... We neither endorse nor challenge these conclusions, and we leave it to the district court on remand to decide whether a bucket system is feasible with alterations, or whether another system is preferable in light of our guidance today.

We further acknowledge the requirement that fee structures and the proceedings used to arrive at them comport with the provisions of the Second Amended Final Judgment, ... and the district court’s concern that the setting of different rates for the Internet Companies’ various services would be in some tension with prior case law regarding blanket licensesWe note, however, that the district court’s own proposed MUAF would have involved “reporting or ... keeping track of ... music use,” notwithstanding the court’s observation that such tracking is generally not a feature of blanket licenses, ... and that a recent rate-setting opinion has made use of multiple rates as part of a blanket license Moreover, our own precedent indicates that non-traditional fee structures can be compatible with blanket licenses. ... It is for the district court to consider, in the first instance, what options are available to it in setting a reasonable rate or rates in this case.

For the foregoing reasons, we remand to the district court to redetermine the royalty rate (or rates) that Yahoo! must pay ASCAP for its license, in light of our holding that the district court’s valuation of Yahoo!’s use of the ASCAP repertory must reflect, as well as practicable, the varying nature and scope of Yahoo!’s music use. We do not, however, suggest that the specific royalty rates set forth in the BMI-Yahoo! agreement must be accepted by the district court on remand, nor do we suggest that a bucket system is the only method by which a reasonable fee could be calculated. Instead, we believe that there are other ways to proceed, including possibly using a “blended” uniform rate (e.g., taking a snapshot of Yahoo!’s current music use, valuing the different uses independently, averaging them into a blended, uniform royalty rate, and then revisiting that rate periodically), or perhaps using a modification of the BMI bucket system to avoid some of the reliability problems noted by the district court, or employing some third method not yet discussed. We leave it to the district court to determine the best way to proceed consistent with the concerns we have discussed.

2. RealNetworks

The district court applied the Music Choice and radio station benchmarks to RealNetworks. The court found that Music Choice’s 2.5% royalty rate supported applying a 2.5% royalty rate to RealNetworks because, inter alia, many of RealNetworks’ music uses are equally or more music intensive than Music Choice’s uses, specifically referring to RealNetworks’ on-demand, music-video, and music-stream uses. The district court also found that the radio station benchmarks supported a 2.5% royalty rate for RealNetworks.

We do not take specific issue with the district court’s analysis as it may pertain to uses by RealNetworks that are analogous to those of Music Choice and the radio stations. However, RealNetworks objects to the district court’s analysis on the basis that RealNetworks’ services include music uses that are less music-oriented than those of Music Choice or the radio stations, such as uses in video games, television shows, and ring tones. We find this objection persuasive to the extent that it tracks the flaws we have identified in the district court’s analysis underlying Yahoo!’s royalty rate, and we remand so that the district court may conduct a more complete analysis of the various uses of ASCAP musical works by RealNetworks and may determine, in light thereof, the appropriate method for determining RealNetworks’ royalty rate (or rates).

D. Download Revenues

With respect to the district court’s fee calculation, ASCAP cross-appeals one issue: whether download revenue should be included in the revenue base, even though downloads are not public performances, because public performances of music are used to generate the downloads of music. Although the district court recognized some relationship between the ability to stream music and download revenue, it made no formal factual findings about the extent and implications of that relationship. In an analogous context, the district court found that the ability to preview ringtones (via streaming) “undeniably increase[d]” the sale of ringtones (via download). ... We leave it to the district court on remand to determine the extent of any such relationship in this case.

...

Conclusion

For the foregoing reasons, we affirm the district court’s ruling that downloads of musical works do not constitute public performances of those works, and we vacate the district court’s assessment of reasonable fees for the blanket ASCAP licenses sought by the Internet Companies and remand for further proceedings in light of this opinion.

§3.1, F, 6: The Visual Artists’ Rights Act

Page 322 (insert before the first paragraph of “Note”):

See *Kelley v. Chicago Park Dist.*, 635 F.3d 290 (7th Cir.), cert. denied, 132 S.Ct. 380 (2011), in which the plaintiff had created “Wildflower Works,” “an ambitious wildflower display at the north end of Grant Park, a prominent public space in the heart of downtown Chicago, ... featuring a variety of native wildflowers and edged with borders of gravel and steel.” It was well-received critically and promoted as “living art” but after a few years the city “dramatically modified the garden, substantially reducing its size, reconfiguring the oval flower beds into rectangles, and changing some of the planting material.” Rejecting plaintiff’s VARA claim for the “distortion” of his work, as noted, above, the Seventh Circuit found the living art not a copyrightable work: “Because Kelley’s garden is neither ‘authored’ nor ‘fixed’ in the senses required for basic copyright, it cannot qualify for moral-rights protection under VARA.

VARA’s definition of “work of visual art” operates to narrow and focus the statute’s coverage; only a “painting, drawing, print, or sculpture,” or an exhibition photograph will qualify. These terms are not further defined, but the overall structure of the statutory scheme clearly illuminates the limiting effect of this definition. Copyright’s broad general coverage extends to “original works of authorship,” and this includes “pictorial, graphic, and sculptural works.” ... The use of the adjectives “pictorial” and “sculptural” suggests flexibility and breadth in application. In contrast VARA uses the specific nouns “painting” and “sculpture.” To qualify for moral-rights protection under VARA, Wildflower Works cannot just be “pictorial” or “sculptural” in some aspect or effect, it must actually be a “painting” or a “sculpture.” Not metaphorically or by analogy, but really.

...

... VARA-eligible paintings and sculptures comprise a discrete subset of otherwise copyrightable pictorial and sculptural works; the statute designates these works of fine art as worthy of special protection. If a work is so lacking in originality that it cannot satisfy the basic requirements for copyright, then it can hardly qualify as a painting or sculpture eligible for extra protection under VARA.

The court went on to discuss the general matter of site-specific art, questioning the the Phillips apparent categorical rule excluding such works from VARA:

There are a couple of reasons to question this interpretation of VARA. First, the term “site-specific art” appears nowhere in the statute. Nothing in the definition of a “work of visual art” either explicitly or by implication excludes this form of art from moral-rights protection. Nor does application of the public-presentation exception operate to eliminate every type of protection VARA grants to creators of site-specific art; the exception simply narrows the scope of the statute’s protection for all qualifying works of visual art. The exception basically provides a safe harbor for ordinary changes in the public presentation of VARA-qualifying artworks; the artist has no cause of action unless through gross negligence the work is modified, distorted, or destroyed in the process of changing its public presentation.

Second, Phillips’s all-or-nothing approach to site-specific art may be unwarranted. Site-specific art is not necessarily destroyed if moved; modified, yes, but not always utterly destroyed. Moreover, some of VARA’s protections are unaffected by the public-presentation exception. An artist’s right of integrity can be violated in ways that do not implicate the work’s location or manner of public presentation; site-specific art—like any other type of art—can be defaced and damaged in ways that do not relate to its public display. And the public-presentation exception does nothing to limit the right of attribution, which prevents an artist’s name from being misappropriated.

Then there is the matter of the building exception, which applies to works “incorporated in or made part of a building in such a way that removing the work from the building will cause the destruction, distortion, mutilation, or other modification of the work.” ... These works do not get moral-rights protection if the artist: (1) consented to the installation of his work in the building (if pre-VARA); or (2) executed a written acknowledgment that removal of the work may subject it to destruction, distortion, mutilation, or modification (if post-VARA). ... On its face this exception covers a particular kind of site-specific art. Its presence in the statute suggests that site-specific art is not categorically excluded from VARA.

In *Massachusetts Museum Of Contemporary Art Foundation, Inc. v. Buchel*, 593 F.3d 38 (1st Cir. 2010), involving an unfinished work of “installation art,” the court held that VARA can apply to unfinished works of art. (The facts presented “the ultimate how-not-to guide in the complicated world of installation art.”) Addressing the applicability of VARA to unfinished works, the court said:

The text of VARA itself does not state when an artistic project becomes a work of visual art subject to its protections. However, VARA is part of the Copyright Act, and that Act’s definition section, which defines “work of visual art,” specifies that its definitions, unless otherwise provided, control throughout Title 17. ... That general definitional section of the Copyright Act states that a work is “created” when it “is fixed in a copy ... for the first time.” Further, “where a work is prepared over a period of time, the portion of it that has been fixed at any particular time constitutes the work as of that time.” 17 U.S.C. § 101 (emphasis added). ...

Not surprisingly, based on section 101’s general definitions, courts have held that the Copyright Act’s protections extend to unfinished works. ...

Reading VARA in accordance with the definitions in section 101, it too must be read to protect unfinished, but “fixed,” works of art that, if completed, would qualify for protection under the statute. [The court notes: “Nothing in the language of VARA or the definitions provision of the Copyright Act permits distinct treatment for the rights of copyright owners whose works are complete and those whose works are still in progress.”] To conclude otherwise would be “contrary to the rule that provisions of a single act should be construed

in as harmonious a fashion as possible.” ... At least one circuit has previously assumed VARA's applicability to unfinished works. [citing *Carter v. Helmsley Spear*, 71 F.3d 77. at 83-88 (2d Cir. 1995).]

Our conclusion that the statute's plain language extends its coverage to unfinished works makes it unnecessary to delve into VARA's legislative history. We nonetheless note that we have looked closely at that history, and it fully supports our reading of the plain language. Common sense points in the same direction. Moral rights protect the personality and creative energy that an artist contributes to his or her work. That convergence between artist and artwork does not await the final brush stroke or the placement of the last element in a complex installation. ...

We thus hold that VARA protects the moral rights of artists who have “created” works of art within the meaning of the Copyright Act even if those works are not yet complete.

The court holds that this determination is fully consistent with that circuit's Phillips opinion:

Our decision in Phillips is not inconsistent with this holding. In Phillips, we held that VARA did not apply to site-specific works of art, in which the particular location of the artwork is one of its physical elements and removal of the artwork destroys it. ... We observed that VARA does not explicitly address protection for site-specific works despite the impact of such works on real property interests, ,, and we declined to interpret VARA in a way that was neither supported by the statutory language nor sensible as policy. ... Here, the plain language controls, and there is no conflict with “long-established and familiar principles” of the common law. ...

Further, resolving uncertainty as to the questions, the court holds (i) that, in a claim for violation of the VARA “integrity” right, the plaintiff bears the burden of demonstrating that the modification of the work at issue would be “prejudicial to the artist's honor or reputation,” as the statute provides, even where the plaintiff seeks damages rather than injunctive relief (as to the definition of “honor,” the court cites with approval the Carter district court's use of dictionary definitions, but cautions that “the focus is on the artist's reputation in relation to the altered work of art; the artist need not have public stature beyond the context of the creation at issue.”); and (ii) that damages are not available for violation of VARA's “attribution” right (“In failing to provide a damages remedy for any type of violation of the moral right of attribution, Congress may have concluded that artists could obtain adequate relief for the harms of false attribution by resorting to the Copyright Act and other traditional claims”).

§3.2, B: Access Limitation—Anti-Circumvention Protection

Page 349 (insert before “C. Copyright Management Information”):

MDY Industries, LLC v. Blizzard Entertainment

United States Court of Appeals, Ninth Circuit, 2011
629 F.3d 928

Lance C. Venable and Joseph R. Meaney, for plaintiff-appellant/cross-appellee MDY Industries LLC and plaintiff-appellant/third-party-defendant-appellee Michael Donnelly.

Christian S. Genetski, Shane M. McGee, and Jacob A. Sommer, for defendants-appellees/cross-appellants Blizzard Entertainment, Inc. and Vivendi Games, Inc.

George A. Riley, David R. Eberhart, and David S. Almeling, for amicus curiae Business Software Alliance.

Scott E. Bain, Keith Kupferschmid, and Mark Bohannon, for amicus curiae Software & Information Industry Association.

Brian W. Carver, Sherwin Siy, and Jef Pearlman, for amicus curiae Public Knowledge.

Robert H. Rotstein, Steven J. Metalitz, and J. Matthew Williams, for amicus curiae Motion Picture Association of America, Inc.

CALLAHAN, J.: Blizzard Entertainment, Inc. (“Blizzard”) is the creator of World of Warcraft (“WoW”), a popular multiplayer online role-playing game in which players interact in a virtual world while advancing through the game’s 70 levels. MDY Industries, LLC and its sole member Michael Donnelly (“Donnelly”) (sometimes referred to collectively as “MDY”) developed and sold Glider, a software program that automatically plays the early levels of WoW for players.

MDY brought this action for a declaratory judgment to establish that its Glider sales do not infringe Blizzard’s copyright or other rights, and Blizzard asserted counterclaims under the Digital Millennium Copyright Act (“DMCA”), 17 U.S.C. § 1201 et seq., and for tortious interference with contract under Arizona law. The district court found MDY and Donnelly liable for secondary copyright infringement, violations of DMCA § 1201(a)(2) and (b)(1), and tortious interference with contract. We reverse the district court except as to MDY’s liability for violation of DMCA § 1201(a)(2) and remand for trial on Blizzard’s claim for tortious interference with contract.

I

A. World of Warcraft

In November 2004, Blizzard created WoW, a “massively multiplayer online role-playing game” in which players interact in a virtual world. WoW has ten million subscribers, of which two and a half million are in North America. The WoW software has two components: (1) the game client software that a player installs on the computer; and (2) the game server software, which the player accesses on a subscription basis by connecting to WoW’s online servers. WoW does not have single-player or offline modes.

WoW players roleplay different characters, such as humans, elves, and dwarves. A player’s central objective is to advance the character through the game’s 70 levels by participating in quests and engaging in battles with monsters. As a player advances, the character collects rewards such as in-game currency, weapons, and armor. WoW’s virtual world has its own economy, in which characters use their virtual currency to buy and sell items directly from each other, through vendors, or using auction houses. Some players also utilize WoW’s chat capabilities to interact with others.

B. Blizzard’s use agreements

Each WoW player must read and accept Blizzard’s End User License Agreement (“EULA”) and Terms of Use (“ToU”) on multiple occasions. The EULA pertains to the game client, so a player agrees to it both before installing the game client and upon first running it. The ToU pertains to the online service, so a player agrees to it both when creating an account and upon first connecting to the online service. Players who do not accept both the EULA and the ToU may return the game client for a refund. [The terms of use specifically prohibit the use of “bots” or unauthorized third-party software in connection with the game.]

C. Development of Glider and Warden

Donnelly is a WoW player and software programmer. In March 2005, he developed Glider, a software “bot” (short for robot) that automates play of WoW’s early levels, for his personal use. A user need not be at the computer while Glider is running. ...

Glider does not alter or copy WoW’s game client software, does not allow a player to avoid paying monthly subscription dues to Blizzard, and has no commercial use independent of WoW. Glider was not initially designed to avoid detection by Blizzard.

The parties dispute Glider’s impact on the WoW experience. Blizzard contends that Glider disrupts WoW’s environment for non-Glider players by enabling Glider users to advance quickly and unfairly through the game and to amass additional game assets. MDY contends that Glider has a minimal effect on non-Glider players, enhances the WoW experience for Glider users, and facilitates disabled players’ access to WoW by auto-playing the game for them.

In summer 2005, Donnelly began selling Glider through MDY’s website for fifteen to twenty-five dollars per license. Prior to marketing Glider, Donnelly reviewed Blizzard’s EULA and client-server manipulation policy. He reached the conclusion that Blizzard had not prohibited bots in those documents.

In September 2005, Blizzard launched Warden, a technology that it developed to prevent its players who use unauthorized third-party software, including bots, from connecting to WoW’s servers. Warden was able to detect Glider, and Blizzard immediately used Warden to ban most Glider users. MDY responded by modifying Glider to avoid detection and promoting its new anti-detection features on its website’s FAQ. It added a subscription service, Glider Elite, which offered “additional protection from game detection software” for five dollars a month.

Thus, by late 2005, MDY was aware that Blizzard was prohibiting bots. MDY modified its website to indicate that using Glider violated Blizzard’s ToU. In November 2005, Donnelly wrote in an email interview, “Avoiding detection is rather exciting, to be sure. Since Blizzard does not want bots running at all, it’s a violation to use them.” Following MDY’s anti-detection modifications, Warden only occasionally detected Glider. As of September 2008, MDY had gross revenues of \$3.5 million based on 120,000 Glider license sales.

...
IV

We first consider whether MDY committed contributory or vicarious infringement (collectively, “secondary infringement”) of Blizzard’s copyright by selling Glider to WoW players.

[The court, relying on *Vernor v. Autodesk, Inc.*, 621 F.3d 1102 (9th Cir.2010), finds that a purchaser of a copy of the WoW software, in agreeing to terms of use that severely restrict use of the software and limit the kinds of activities that are permissible is a “licensee” of the software and not an “owner.” However, although such a licensee who engages in prohibited activities in connection with the online experience, such as use of Glider, that themselves do not amount to acts of infringement, may be liable for breach of a covenant contained in the terms of use, that licensee is not an infringer.] The antibot provisions at issue in this case, [are] covenants rather than conditions. A Glider user violates the covenants with Blizzard, but does not thereby commit copyright infringement because Glider does not infringe any of Blizzard’s exclusive rights. For instance, the use does not alter or copy WoW software.

Were we to hold otherwise, Blizzard—or any software copyright holder—could designate any disfavored conduct during software use as copyright infringement, by purporting to condition the license on the player’s abstention from the disfavored conduct. The rationale would be that because the conduct occurs while the player’s computer is copying the software code into RAM in order for it to run, the violation is copyright infringement. This would allow software copyright owners far greater rights than Congress has generally conferred on copyright owners.

We conclude that for a licensee’s violation of a contract to constitute copyright infringement, there must be a nexus between the condition and the licensor’s exclusive rights of copyright. Here, WoW players do not commit copyright infringement by using Glider in violation of the ToU. MDY is thus not liable for secondary copyright infringement, which requires the existence of direct copyright infringement.

...
V

After MDY began selling Glider, Blizzard launched Warden, its technology designed to prevent players who used bots from connecting to the WoW servers. Blizzard used Warden to ban most Glider users in September 2005. Blizzard claims that MDY is liable under DMCA § 1201(a)(2) and (b)(1) because it thereafter programmed Glider to avoid detection by Warden.

A. The Warden technology

Warden has two components. The first is a software module called “scan.dll,” which scans a computer’s RAM prior to allowing the player to connect to WoW’s servers. If scan.dll detects that a bot is running, such as Glider, it will not allow the player to connect and play. After Blizzard launched Warden, MDY reconfigured Glider to circumvent scan.dll by not loading itself until after scan.dll completed its check. Warden’s second component is a “resident” component that runs periodically in the background on a player’s computer when it is connected to WoW’s servers. It asks the computer to report portions of the WoW code running in RAM, and it looks for patterns of code associated with known bots or cheats. If it detects a bot or cheat, it boots the player from the game, which halts the computer’s copying of copyrighted code into RAM.

B. The Digital Millennium Copyright Act

Congress enacted the DMCA in 1998 to conform United States copyright law to its obligations under two World Intellectual Property Organization (“WIPO”) treaties, which require contracting parties to provide effective legal remedies against the circumvention of protective technological measures used by copyright owners. ... In enacting the DMCA, Congress sought to mitigate the problems presented by copyright enforcement in the digital age. ... The DMCA contains three provisions directed at the circumvention of copyright owners’ technological measures. The Supreme Court has yet to construe these provisions, and they raise questions of first impression in this circuit.

The first provision, 17 U.S.C. § 1201(a)(1)(A), is a general prohibition against “circumventing a technological measure that effectively controls access to a work protected under [the Copyright Act].” The second prohibits trafficking in technology that circumvents a technological measure that “effectively controls access” to a copyrighted work. 17 U.S.C. § 1201(a)(2). The third prohibits trafficking in technology that circumvents a technological measure that “effectively protects” a copyright owner’s right. 17 U.S.C. § 1201(b)(1).

...

We turn to consider whether Glider violates DMCA § 1201(a)(2) and (b)(1) by allowing users to circumvent Warden to access WoW’s various elements. MDY contends that Warden’s scan.dll and resident components are separate, and only scan.dll should be considered as a potential access control measure under § 1201(a)(2). However, in our view, an access control measure can both (1) attempt to block initial access and (2) revoke access if a secondary check determines that access was unauthorized. Our analysis considers Warden’s scan.dll and resident components together because the two components have the same purpose: to prevent players using detectable bots from continuing to access WoW software.

D. Construction of § 1201

One of the issues raised by this appeal is whether certain provisions of § 1201 prohibit circumvention of access controls when access does not constitute copyright infringement. To answer this question and others presented by this appeal, we address the nature and interrelationship of the various provisions of § 1201 in the overall context of the Copyright Act.

We begin by considering the scope of DMCA § 1201’s three operative provisions, §§ 1201(a)(1), 1201(a)(2), and 1201(b)(1). We consider them side-by-side[. The court quotes the sections]

2. Our harmonization of the DMCA's operative provisions

For the reasons set forth below, we believe that § 1201 is best understood to create two distinct types of claims. First, § 1201(a) prohibits the circumvention of any technological measure that effectively controls access to a protected work and grants copyright owners the right to enforce that prohibition. ... Second, and in contrast to § 1201(a), § 1201(b)(1) prohibits trafficking in technologies that circumvent technological measures that effectively protect “a right of a copyright owner.” Section 1201(b)(1)'s prohibition is thus aimed at circumventions of measures that protect the copyright itself: it entitles copyright owners to protect their existing exclusive rights under the Copyright Act. Those exclusive rights are reproduction, distribution, public performance, public display, and creation of derivative works. ... Historically speaking, preventing “access” to a protected work in itself has not been a right of a copyright owner arising from the Copyright Act.

Our construction of § 1201 is compelled by the four significant textual differences between § 1201(a) and (b). First, § 1201(a)(2) prohibits the circumvention of a measure that “effectively controls access to a work protected under this title,” whereas § 1201(b)(1) concerns a measure that “effectively protects a right of a copyright owner under this title in a work or portion thereof.” (emphasis added). We read § 1201(b)(1)'s language—“right of a copyright owner under this title”—to reinforce copyright owners' traditional exclusive rights under § 106 by granting them an additional cause of action against those who traffic in circumventing devices that facilitate infringement. Sections 1201(a)(1) and (a)(2), however, use the term “work protected under this title.” Neither of these two subsections explicitly refers to traditional copyright infringement under § 106. Accordingly, we read this term as extending a new form of protection, i.e., the right to prevent circumvention of access controls, broadly to works protected under Title 17, i.e., copyrighted works.

Second, as used in § 1201(a), to “circumvent a technological measure” means “to descramble a scrambled work, to decrypt an encrypted work, or otherwise to avoid, bypass, remove, deactivate, or impair a technological measure, without the authority of the copyright owner.” 17 U.S.C. § 1201(a)(3)(A). These two specific examples of unlawful circumvention under § 1201(a)—descrambling a scrambled work and decrypting an encrypted work—are acts that do not necessarily infringe or facilitate infringement of a copyright. Descrambling or decrypting only enables someone to watch or listen to a work without authorization, which is not necessarily an infringement of a copyright owner's traditional exclusive rights under § 106. Put differently, descrambling and decrypting do not necessarily result in someone's reproducing, distributing, publicly performing, or publicly displaying the copyrighted work, or creating derivative works based on the copyrighted work.

The third significant difference between the subsections is that § 1201(a)(1)(A) prohibits circumventing an effective access control measure, whereas § 1201(b) prohibits trafficking in circumventing devices, but does not prohibit circumvention itself because such conduct was already outlawed as copyright infringement. The Senate Judiciary Committee explained:

This ... is the reason there is no prohibition on conduct in 1201(b) akin to the prohibition on circumvention conduct in 1201(a)(1). The prohibition in 1201(a)(1) is necessary because prior to this Act, the conduct of circumvention was never before made unlawful. The device limitation on 1201(a)(2) enforces this new prohibition on conduct. The copyright law has long forbidden copyright infringements, so no new prohibition was necessary. ...

This difference reinforces our reading of § 1201(b) as strengthening copyright owners' traditional rights against copyright infringement and of § 1201(a) as granting copyright owners a new anti-circumvention right.

Fourth, in § 1201(a)(1)(B)–(D), Congress directs the Library of Congress (“Library”) to identify classes of copyrighted works for which “noninfringing uses by persons who are users of a copyrighted

work are, or are likely to be, adversely affected, and the [anti-circumvention] prohibition contained in [§ 1201(a)(1)(A)] shall not apply to such users with respect to such classes of works for the ensuing 3-year period.” There is no analogous provision in § 1201(b). We impute this lack of symmetry to Congress’ need to balance copyright owners’ new anti-circumvention right with the public’s right to access the work. ... Sections 1201(a)(1)(B)–(D) thus promote the public’s right to access by allowing the Library to exempt circumvention of effective access control measures in particular situations where it concludes that the public’s right to access outweighs the owner’s interest in restricting access. In limiting the owner’s right to control access, the Library does not, and is not permitted to, authorize infringement of a copyright owner’s traditional exclusive rights under the copyright. Rather, the Library is only entitled to moderate the new anti-circumvention right created by, and hence subject to the limitations in, DMCA § 1201(a)(1).

Our reading of § 1201(a) and (b) ensures that neither section is rendered superfluous. A violation of § 1201(a)(1)(A), which prohibits circumvention itself, will not be a violation of § 1201(b), which does not contain an analogous prohibition on circumvention. A violation of § 1201(a)(2), which prohibits trafficking in devices that facilitate circumvention of access control measures, will not always be a violation of § 1201(b)(1), which prohibits trafficking in devices that facilitate circumvention of measures that protect against copyright infringement. Of course, if a copyright owner puts in place an effective measure that both (1) controls access and (2) protects against copyright infringement, a defendant who traffics in a device that circumvents that measure could be liable under both § 1201(a) and (b). Nonetheless, we read the differences in structure between § 1201(a) and (b) as reflecting Congress’s intent to address distinct concerns by creating different rights with different elements.

3. Our construction of the DMCA is consistent with the legislative history

[The court reviews the history, concluding that:] Our review of the legislative history supports our reading of § 1201: that section (a) creates a new anticircumvention right distinct from copyright infringement, while section (b) strengthens the traditional prohibition against copyright infringement. We now review the decisions of the Federal Circuit that have interpreted § 1201 differently.

4. The Federal Circuit’s decisions

The Federal Circuit has adopted a different approach to the DMCA. In essence, it requires § 1201(a) plaintiffs to demonstrate that the circumventing technology infringes or facilitates infringement of the plaintiff’s copyright (an “infringement nexus requirement”). [The court reviews what it considers the Federal Circuit’s “seminal decision,” *Chamberlain Group, Inc. v. Skylink Techs., Inc.*, 381 F.3d 1178 (Fed.Cir.2004).]

5. We decline to adopt an infringement nexus requirement

While we appreciate the policy considerations expressed by the Federal Circuit in *Chamberlain*, we are unable to follow its approach because it is contrary to the plain language of the statute. In addition, the Federal Circuit failed to recognize the rationale for the statutory construction that we have proffered. Also, its approach is based on policy concerns that are best directed to Congress in the first instance, or for which there appear to be other reasons that do not require such a convoluted construction of the statute’s language.

[The court recapitulates its statutory interpretation and distinctions and concludes:] that a fair reading of the statute (supported by legislative history) indicates that Congress created a distinct anti-circumvention right under § 1201(a) without an infringement nexus requirement. Thus, even accepting the validity of the concerns expressed in *Chamberlain*, those concerns do not authorize us to override congressional intent and add a non-textual element to the statute. ... Accordingly, we reject the imposition of an infringement nexus requirement. We now consider whether MDY has violated § 1201(a)(2) and (b)(1).

E. Blizzard's § 1201(a)(2) claim

1. WoW's literal elements and individual non-literal elements

We agree with the district court that MDY's Glider does not violate DMCA § 1201(a)(2) with respect to WoW's literal elements and individual non-literal elements, because Warden does not effectively control access to these WoW elements. First, Warden does not control access to WoW's literal elements because these elements—the game client's software code—are available on a player's hard drive once the game client software is installed. Second, ... [s]ince a player need not encounter Warden to access WoW's individual non-literal elements, Warden does not effectively control access to those elements.

Our conclusion is in accord with the Sixth Circuit's decision in *Lexmark International v. Static Control Components*, 387 F.3d 522 (6th Cir.2004) [in which the] Sixth Circuit held that plaintiff's § 1201(a)(2) claim failed because its authentication sequence did not effectively control access to its copyrighted computer program. ... Rather, the mere purchase of one of plaintiff's printers allowed "access" to the copyrighted program. Any purchaser could read the program code directly from the printer memory without encountering the authentication sequence. ... The authentication sequence thus blocked only one form of access: the ability to make use of the printer. However, it left intact another form of access: the review and use of the computer program's literal code. ... The Sixth Circuit explained:

Just as one would not say that a lock on the back door of a house "controls access" to a house whose front door does not contain a lock and just as one would not say that a lock on any door of a house "controls access" to the house after its purchaser receives the key to the lock, it does not make sense to say that this provision of the DMCA applies to otherwise-readily-accessible copyrighted works. Add to this the fact that the DMCA not only requires the technological measure to "control access" but requires the measure to control that access "effectively," ... and it seems clear that this provision does not naturally extend to a technological measure that restricts one form of access but leaves another route wide open.

...

Here, a player's purchase of the WoW game client allows access to the game's literal elements and individual non-literal elements. Warden blocks one form of access to these elements: the ability to access them while connected to a WoW server. However, analogously to the situation in *Lexmark*, Warden leaves open the ability to access these elements directly via the user's computer. We conclude that Warden is not an effective access control measure with respect to WoW's literal elements and individual non-literal elements, and therefore, that MDY does not violate § 1201(a)(2) with respect to these elements.

2. WoW's dynamic non-literal elements

We conclude that MDY meets each of the six textual elements for violating § 1201(a)(2) with respect to WoW's dynamic non-literal elements. That is, MDY (1) traffics in (2) a technology or part thereof (3) that is primarily designed, produced, or marketed for, or has limited commercially significant use other than (4) circumventing a technological measure (5) that effectively controls access (6) to a copyrighted work. ...

The first two elements are met because MDY "traffics in a technology or part thereof"—that is, it sells Glider. The third and fourth elements are met because Blizzard has established that MDY markets Glider for use in circumventing Warden, thus satisfying the requirement of §

1201(a)(2)(C).¹⁶ Indeed, Glider has no function other than to facilitate the playing of WoW. The sixth element is met because, as the district court held, WoW's dynamic non-literal elements constitute a copyrighted work. See, e.g., *Atari Games Corp. v. Oman*, 888 F.2d 878, 884–85 (D.C.Cir.1989) (the audiovisual display of a computer game is copyrightable independently from the software program code, even though the audiovisual display generated is partially dependent on user input).

The fifth element is met because Warden is an effective access control measure. To “effectively control access to a work,” a technological measure must “in the ordinary course of its operation, require[] the application of information, or a process or a treatment, with the authority of the copyright owner, to gain access to the work.” 17 U.S.C. § 1201(a)(3)(B). Both of Warden's two components “require[] the application of information, or a process or a treatment ... to gain access to the work.” For a player to connect to Blizzard's servers which provide access to WoW's dynamic non-literal elements, scan.dll must scan the player's computer RAM and confirm the absence of any bots or cheats. The resident component also requires a “process” in order for the user to continue accessing the work: the user's computer must report portions of WoW code running in RAM to the server. Moreover, Warden's provisions were put into place by Blizzard, and thus, function “with the authority of the copyright owner.” Accordingly, Warden effectively controls access to WoW's dynamic non-literal elements.¹⁷ We hold that MDY is liable under § 1201(a)(2) with respect to WoW's dynamic non-literal elements. Accordingly, we affirm the district court's entry of a permanent injunction against MDY to prevent future § 1201(a)(2) violations.

F. Blizzard's § 1201(b)(1) claim

Blizzard may prevail under § 1201(b)(1) only if Warden “effectively protect[s] a right” of Blizzard under the Copyright Act. Blizzard contends that Warden protects its reproduction right against unauthorized copying. We disagree.

First, although WoW players copy the software code into RAM while playing the game, Blizzard's EULA and ToU authorize all licensed WoW players to do so. We have explained that ToU § 4(B)'s bot prohibition is a license covenant rather than a condition. Thus, a Glider user who violates this covenant does not infringe by continuing to copy code into RAM. Accordingly, MDY does not violate § 1201(b)(1) by enabling Glider users to avoid Warden's interruption of their authorized copying into RAM.

¹⁶ To “circumvent a technological measure” under § 1201(a) means to “descramble a scrambled work, to decrypt an encrypted work, or otherwise to avoid, bypass, remove, deactivate, or impair a technological measure, without the authority of the copyright owner.” 17 U.S.C. § 1201(a)(3)(A) (emphasis added). A circuit split exists with respect to the meaning of the phrase “without the authority of the copyright owner.” The Federal Circuit has concluded that this definition imposes an additional requirement on a § 1201(a)(2) plaintiff: to show that the defendant's circumventing device enables third parties to access the copyrighted work without the copyright owner's authorization. ... The Second Circuit has adopted a different view, explaining that § 1201(a)(3)(A) plainly exempts from § 1201(a) liability those whom a copyright owner authorizes to circumvent an access control measure, not those whom a copyright owner authorizes to access the work. ...

We find the Second Circuit's view to be the sounder construction of the statute's language, and conclude that § 1201(a)(2) does not require a plaintiff to show that the accused device enables third parties to access the work without the copyright owner's authorization. Thus, Blizzard has satisfied the “circumvention” element of a § 1201(a)(2) claim, because Blizzard has demonstrated that it did not authorize MDY to circumvent Warden.

¹⁷ The statutory definition of the phrase “effectively control access to a work” does not require that an access control measure be strong or circumvention-proof. Rather, it requires an access control measure to provide some degree of control over access to a copyrighted work. ...

Second, although WoW players can theoretically record game play by taking screen shots, there is no evidence that Warden detects or prevents such allegedly infringing copying. This is logical, because Warden was designed to reduce the presence of cheats and bots, not to protect WoW's dynamic non-literal elements against copying. We conclude that Warden does not effectively protect any of Blizzard's rights under the Copyright Act, and MDY is not liable under § 1201(b)(1) for Glider's circumvention of Warden.

[With respect to Blizzard's state law claim of tortious interference with contract, the court, finding disputed issues of material fact, reversed the district court's summary judgment for Blizzard.]

"Because §1201(a)(1) is targeted at circumvention, it does not apply to the use of copyright works after the technological measure has been circumvented." *MGE UPS Systems, Inc. v. GE Consumer and Industrial, Inc.*, 622 F.3d 361, 366 (5th Cir. 2010) (so that a user who acquired the software after access was circumvented by another did not incur liability under the DMCA):

We ... do not construe "bypass" or "avoid" to encompass use of a copyrighted work subsequent to a circumvention merely because that use would have been subject to a technological measure that would have controlled access to the work, but for that circumvention. So broad an extension would extend the DMCA beyond its intended purposes to reach extensive conduct already well-regulated by existing copyright laws.

§3.3, B, 2: Joint Authorship

Page 388 (insert before "Note 2."):

The Federal Circuit has held, in accord with the *Childress* and *Erickson* holdings, that "[a]s a general rule, each joint author must make an independently copyrightable contribution to the work." *Gaylord v. United States*, 595 F.3d 1364 (Fed. Cir. 2010). The court characterized Judge Posner's apparent disagreement in *Gaiman* as "an 'exception' to this rule in a case where neither collaborator made independently copyrightable contributions, but the result of the collaboration produced a copyrightable work."

§3.3, D, 2: Registration

Page 432 (insert after the discussion of *In re Literary Works*):

In 2010, in *Reed Elsevier v. Muchnick*, the Supreme Court reversed the Second Circuit's *In re Literary Works* opinion and held the registration requirement not to be "jurisdictional":

Reed Elsevier, Inc. v. Muchnick

United States Supreme Court, 2010
130 S.Ct. 1237

Charles S. Sims, for petitioners. Ginger Anders for the United States as amicus curiae, by special leave of the Court, supporting the petitioners.

Deborah Jones Merritt, appointed by this Court, as amicus curiae, supporting the judgment below.

Michael J. Boni, Joanne Zack, Joshua D. Snyder, for respondents Letty Cottin Pogrebin.

Diane S. Rice, A.J. De Bartolomeo, Gary S. Fergus, Robert J. LaRocca, George W. Croner, for respondents.

David Nimmer, Charles S. Sims, Jon A. Baumgarten, Mark D. Harris, Anna G. Kaminska, for petitioners.

Henry B. Gutman, for petitioner Dow Jones Reuters Business Interactive LLC, d/b/a Factiva.

James L. Hallowell, Richard A. Bierschbach, for petitioners Dow Jones & Company, Inc.
Ian Ballon, for petitioners Knight-Ridder, Inc., Knight Ridder Digital, and Mediasream, Inc.
Matthew W. Walch, for petitioner ProQuest Company.
Michael S. Denniston, for petitioner EBSCO Industries, Inc.
Pamela S. Karlan, Jeffrey L. Fisher, Charles D. Chalmers, Amy Howe, Kevin K. Russell, for Muchnick respondents.

THOMAS, J.: Subject to certain exceptions, the Copyright Act (Act) requires copyright holders to register their works before suing for copyright infringement. 17 U.S.C.A. § 411(a) (Supp.2009). In this case, the Court of Appeals for the Second Circuit held that a copyright holder's failure to comply with § 411(a)'s registration requirement deprives a federal court of jurisdiction to adjudicate his copyright infringement claim. We disagree. Section 411(a)'s registration requirement is a precondition to filing a claim that does not restrict a federal court's subject-matter jurisdiction.

I

A

The Constitution grants Congress the power “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors ... the exclusive Right to ... their ... Writings.” Art. I, § 8, cl. 8. Exercising this power, Congress has crafted a comprehensive statutory scheme governing the existence and scope of “[c]opyright protection” for “original works of authorship fixed in any tangible medium of expression.” 17 U.S.C. § 102(a). This scheme gives copyright owners “the exclusive rights” (with specified statutory exceptions) to distribute, reproduce, or publicly perform their works. § 106. “Anyone who violates any of the exclusive rights of the copyright owner as provided” in the Act “is an infringer of the copyright.” § 501(a). When such infringement occurs, a copyright owner “is entitled, subject to the requirements of section 411, to institute an action” for copyright infringement. § 501(b) (emphasis added). This case concerns “the requirements of section 411” to which § 501(b) refers. Section 411(a) provides, inter alia and with certain exceptions, that “no civil action for infringement of the copyright in any United States work shall be instituted until preregistration or registration of the copyright claim has been made in accordance with this title.” This provision is part of the Act’s remedial scheme. It establishes a condition – copyright registration – that plaintiffs ordinarily must satisfy before filing an infringement claim and invoking the Act’s remedial provisions. We address whether § 411(a) also deprives federal courts of subject-matter jurisdiction to adjudicate infringement claims involving unregistered works.

B

The relevant proceedings in this case began after we issued our opinion in *New York Times Co. v. Tasini*, 533 U.S. 483, 121 S.Ct. 2381 (2001). In *Tasini*, we agreed with the Court of Appeals for the Second Circuit that several owners of online databases and print publishers had infringed the copyrights of six freelance authors by reproducing the authors’ works electronically without first securing their permission. ... In so holding, we affirmed the principal theory of liability underlying copyright infringement suits that other freelance authors had filed after the Court of Appeals had issued its opinion in *Tasini*. These other suits, which were stayed pending our decision in *Tasini*, resumed after we issued our opinion and were consolidated in the United States District Court for the Southern District of New York by the Judicial Panel on Multidistrict Litigation. The consolidated complaint alleged that the named plaintiffs each own at least one copyright, typically in a freelance article written for a newspaper or a magazine, that they had registered in accordance with § 411(a). The class, however, included both authors who had registered their copyrighted works and authors who had not. ...

Because of the growing size and complexity of the lawsuit, the District Court referred the parties to mediation. For more than three years, the freelance authors, the publishers (and their insurers), and the electronic databases (and their insurers) negotiated. Finally, in March 2005, they reached a settlement agreement that the parties intended “to achieve a global peace in the publishing industry.” *In re Literary Works in Electronic Databases Copyright Litigation*, 509 F.3d 116, 119 (C.A.2 2007).

The parties moved the District Court to certify a class for settlement and to approve the settlement agreement. Ten freelance authors, including Irvin Muchnick (hereinafter Muchnick respondents), objected. The District Court overruled the objections; certified a settlement class of freelance authors under Federal Rules of Civil Procedure 23(a) and (b)(3); approved the settlement as fair, reasonable, and adequate under Rule 23(e); and entered final judgment. At no time did the Muchnick respondents or any other party urge the District Court to dismiss the case, or to refuse to certify the class or approve the settlement, for lack of subject-matter jurisdiction.

The Muchnick respondents appealed, renewing their objections to the settlement on procedural and substantive grounds. Shortly before oral argument, the Court of Appeals *sua sponte* ordered briefing on the question whether § 411(a) deprives federal courts of subject-matter jurisdiction over infringement claims involving unregistered copyrights. All parties filed briefs asserting that the District Court had subject-matter jurisdiction to approve the settlement agreement even though it included unregistered works.

Relying on two Circuit precedents holding that § 411(a)'s registration requirement was jurisdictional, ... *Well-Made Toy Mfg. Corp. v. Goffa Int'l Corp.*, 354 F.3d 112, 114-115 (C.A.2 2003); *Morris v. Business Concepts, Inc.*, 259 F.3d 65, 72-73 (C.A.2 2001)), the Court of Appeals concluded that the District Court lacked jurisdiction to certify a class of claims arising from the infringement of unregistered works, and also lacked jurisdiction to approve a settlement with respect to those claims, ... (citing “widespread agreement among the circuits that section 411(a) is jurisdictional”).

Judge Walker dissented. He ... he reasoned that § 411(a)'s registration requirement does not limit federal subject-matter jurisdiction over infringement suits involving unregistered works. ...

We granted the owners' and publishers' petition for a writ of certiorari, and formulated the question presented to ask whether § 411(a) restricts the subject-matter jurisdiction of the federal courts over copyright infringement actions. ... Because no party supports the Court of Appeals' jurisdictional holding, we appointed an *amicus curiae* to defend the Court of Appeals' judgment. ... We now reverse.

II

A

“Jurisdiction” refers to “a court’s adjudicatory authority.” *Kontrick v. Ryan*, 540 U.S. 443, 455, 124 S.Ct. 906 (2004). Accordingly, the term “jurisdictional” properly applies only to “prescriptions delineating the classes of cases (subject-matter jurisdiction) and the persons (personal jurisdiction)” implicating that authority. ... While perhaps clear in theory, the distinction between jurisdictional conditions and claim-processing rules can be confusing in practice. Courts – including this Court – have sometimes mischaracterized claim-processing rules or elements of a cause of action as jurisdictional limitations, particularly when that characterization was not central to the case, and thus did not require close analysis. ... Our recent cases evince a marked desire to curtail such “drive-by jurisdictional rulings,” ... which too easily can miss the “critical difference[s]” between true jurisdictional conditions and nonjurisdictional limitations on causes of action

In light of the important distinctions between jurisdictional prescriptions and claim-processing rules, ... we have encouraged federal courts and litigants to “facilitat[e]” clarity by using the term

“jurisdictional” only when it is apposite In *Arbaugh* [v. *Y & H Corp.*, 546 U.S. 500, 126 S.Ct. 1235 (2006)], we described the general approach to distinguish “jurisdictional” conditions from claim-processing requirements or elements of a claim:

“If the Legislature clearly states that a threshold limitation on a statute’s scope shall count as jurisdictional, then courts and litigants will be duly instructed and will not be left to wrestle with the issue. But when Congress does not rank a statutory limitation on coverage as jurisdictional, courts should treat the restriction as nonjurisdictional in character.”

546 U.S., at 515-516, 126 S.Ct. 1235 (citation and footnote omitted).

The plaintiff in *Arbaugh* brought a claim under Title VII of the Civil Rights Act of 1964, which makes it unlawful “for an employer ... to discriminate,” *inter alia*, on the basis of sex. ... But employees can bring Title VII claims only against employers that have “fifteen or more employees.” § 2000e(b). *Arbaugh* addressed whether that employee numerosity requirement “affects federal-court subject-matter jurisdiction or, instead, delineates a substantive ingredient of a Title VII claim for relief.” ... We held that it does the latter.

Our holding turned principally on our examination of the text of § 2000e(b), the section in which Title VII’s numerosity requirement appears. Section 2000e(b) does not “clearly stat[e]” that the employee numerosity threshold on Title VII’s scope “count[s] as jurisdictional.” ... And nothing in our prior Title VII cases compelled the conclusion that even though the numerosity requirement lacks a clear jurisdictional label, it nonetheless imposed a jurisdictional limit. ... Similarly, § 2000e(b)’s text and structure did not demonstrate that Congress “rank[ed]” that requirement as jurisdictional. ... As we observed, the employee numerosity requirement is located in a provision “separate” from § 2000e-5(f)(3), Title VII’s jurisdiction-granting section, distinguishing it from the “amount-in-controversy threshold ingredient of subject-matter jurisdiction ... in diversity-of-jurisdiction under 28 U.S.C. § 1332.” ... Accordingly, the numerosity requirement could not fairly be read to “speak in jurisdictional terms or in any way refer to the jurisdiction of the district courts.” ... We thus “refrain[ed] from” construing the numerosity requirement to “constric[t] § 1331 or Title VII’s jurisdictional provision.” ...

We now apply this same approach to § 411(a).

B

Section 411(a) provides:

“Except for an action brought for a violation of the rights of the author under section 106A(a), and subject to the provisions of subsection (b), no civil action for infringement of the copyright in any United States work shall be instituted until preregistration or registration of the copyright claim has been made in accordance with this title. In any case, however, 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 a civil action for infringement if notice thereof, with a copy of the complaint, is served on the Register of Copyrights. The Register may, at his or her option, become a party to the action with respect to the issue of registrability of the copyright claim by entering an appearance within sixty days after such service, but the Register’s failure to become a party shall not deprive the court of jurisdiction to determine that issue.”

We must consider whether § 411(a) “clearly states” that its registration requirement is “jurisdictional.” ... It does not. *Amicus* disagrees, pointing to the presence of the word “jurisdiction” in the last sentence of § 411(a) and contending that the use of the term there indicates the jurisdictional cast of § 411(a)’s first sentence as well. ... But this reference to “jurisdiction” cannot bear the weight that *amicus* places upon it. The sentence upon which *amicus* relies states:

“The Register [of Copyrights] may, at his or her option, become a party to the [copyright infringement] action with respect to the issue of registrability of the copyright claim by entering an appearance within sixty days after such service, but the Register’s failure to become a party shall not deprive the court of jurisdiction to determine that issue.” § 411(a) (emphasis added).

Congress added this sentence to the Act in 1976 ... to clarify that a federal court can determine “the issue of registrability of the copyright claim” even if the Register does not appear in the infringement suit. That clarification was necessary because courts had interpreted § 411(a)’s precursor provision, which imposed a similar registration requirement, as prohibiting copyright owners who had been refused registration by the Register of Copyrights from suing for infringement until the owners first sought mandamus against the Register. ... The 1976 amendment made it clear that a federal court plainly has adjudicatory authority to determine “that issue,” § 411(a) (emphasis added) – i.e., the issue of registrability – regardless of whether the Register is a party to the infringement suit. The word “jurisdiction,” as used here, thus says nothing about whether a federal court has subject-matter jurisdiction to adjudicate claims for infringement of unregistered works.

Moreover, § 411(a)’s registration requirement, like Title VII’s numerosity requirement, is located in a provision “separate” from those granting federal courts subject-matter jurisdiction over those respective claims. ... Federal district courts have subject-matter jurisdiction over copyright infringement actions based on 28 U.S.C. §§ 1331 and 1338. But neither § 1331, which confers subject-matter jurisdiction over questions of federal law, nor § 1338(a), which is specific to copyright claims, conditions its jurisdictional grant on whether copyright holders have registered their works before suing for infringement. ...

Nor does any other factor suggest that 17 U.S.C.A. § 411(a)’s registration requirement can be read to “speak in jurisdictional terms or refer in any way to the jurisdiction of the district courts.” ... First, and most significantly, § 411(a) expressly allows courts to adjudicate infringement claims involving unregistered works in three circumstances: where the work is not a U.S. work, where the infringement claim concerns rights of attribution and integrity under § 106A, or where the holder attempted to register the work and registration was refused. Separately, § 411(c) permits courts to adjudicate infringement actions over certain kinds of unregistered works where the author “declare[s] an intention to secure copyright in the work” and “makes registration for the work, if required by subsection (a), within three months after [the work’s] first transmission.” 17 U.S.C. §§ 411(c)(1)-(2). It would be at least unusual to ascribe jurisdictional significance to a condition subject to these sorts of exceptions.

That the numerosity requirement in *Arbaugh* could be considered an element of a Title VII claim, rather than a prerequisite to initiating a lawsuit, does not change this conclusion A statutory condition that requires a party to take some action before filing a lawsuit is not automatically “a jurisdictional prerequisite to suit.” *Zipes v. Trans World Airlines, Inc.*, 455 U.S. 385, 393. 102 S.Ct. 1127 (1982)] (emphasis added). Rather, the jurisdictional analysis must focus on the “legal character” of the requirement, ... which we discerned by looking to the condition’s text, context, and relevant historical treatment We similarly have treated as nonjurisdictional other types of threshold requirements that claimants must complete, or exhaust, before filing a lawsuit.

The registration requirement in 17 U.S.C.A. § 411(a) fits in this mold. Section 411(a) imposes a precondition to filing a claim that is not clearly labeled jurisdictional, is not located in a jurisdiction-granting provision, and admits of congressionally authorized exceptions. ... Section 411(a) thus imposes a type of precondition to suit that supports nonjurisdictional treatment under our precedents.

...

Here, [we] conclude that § 411(a) does not implicate the subject-matter jurisdiction of federal courts. Although § 411(a)'s historical treatment as "jurisdictional" is a factor in the analysis, it is not dispositive. The other factors discussed above demonstrate that § 411(a)'s registration requirement is more analogous to the nonjurisdictional conditions we considered in *Zipes* and *Arbaugh* than to the statutory time limit at issue in *Bowles* [*v. Russell*, 551 U.S. 205, 127 S.Ct. 2360 (2007)]. We thus conclude that § 411(a)'s registration requirement is nonjurisdictional, notwithstanding its prior jurisdictional treatment.

III

[The Court rejects the amicus argument that earlier statements by petitioner, as part of settlement negotiations, asserting that registration was a jurisdictional requirement worked an estoppel before the Court.]

IV

Our holding that § 411(a) does not restrict a federal court's subject-matter jurisdiction precludes the need for us to address the parties' alternative arguments as to whether the District Court had authority to approve the settlement even under the Court of Appeals' erroneous reading of § 411. In concluding that the District Court had jurisdiction to approve the settlement, we express no opinion on the settlement's merits. We also decline to address whether § 411(a)'s registration requirement is a mandatory precondition to suit that ... district courts may or should enforce sua sponte by dismissing copyright infringement claims involving unregistered works.

We reverse the judgment of the Court of Appeals for the Second Circuit and remand this case for proceedings consistent with this opinion.

GINSBURG, J. (With STEVENS and BREYER, JJ), concurring: I agree with the Court's characterization of 17 U.S.C.A. § 411(a) (Supp.2009). That provision, which instructs authors to register their copyrights before commencing suit for infringement, "is a precondition to filing a claim that does not restrict a federal court's subject-matter jurisdiction." ... Aiming to stave off continuing controversy over what qualifies as "jurisdictional," and what does not, I set out my understanding of the Court's opinions in *Arbaugh* and *Bowles*, and the ground on which I would reconcile those rulings. In *Arbaugh*, we held nonjurisdictional a prescription confining Title VII's coverage to employers with 15 or more employees... [T]he *Arbaugh* opinion announced and applied a "readily administrable bright line":

"If the Legislature clearly states that a threshold limitation on a statute's scope shall count as jurisdictional, then courts and litigants will be duly instructed and will not be left to wrestle with the issue. But when Congress does not rank a statutory limitation on coverage as jurisdictional, courts should treat the restriction as nonjurisdictional in character. Applying that readily administrable bright line to this case, we hold that the threshold number of employees for application of Title VII is an element of a plaintiff's claim for relief, not a jurisdictional issue."

546 U.S., at 515-516, 126 S.Ct. 1235 (citation and footnote omitted).

As the above-quoted passage indicates, the unanimous *Arbaugh* Court anticipated that all federal courts would thereafter adhere to the "bright line" held dispositive that day.

⁹ Amicus' remaining jurisdictional argument – that the policy goals underlying copyright registration support construing § 411(a)'s registration provisions as jurisdictional, ... – is similarly unavailing. We do not agree that a condition should be ranked as jurisdictional merely because it promotes important congressional objectives. ...

Bowles moved in a different direction. A sharply divided Court there held “mandatory and jurisdictional” the time limits for filing a notice of appeal stated in 28 U.S.C. § 2107(a), (c). ... Bowles mentioned Arbaugh only to distinguish it as involving a statute setting “an employee-numerosity requirement, not a time limit.” ... Section 2107’s time limits were “jurisdictional,” Bowles explained, because they were contained in a statute, not merely a rule, ... and because “[t]his Court ha[d] long held that the taking of an appeal within the prescribed time is ‘mandatory and jurisdictional,’” ... Fidelity to Arbaugh and similarly reasoned decisions, the dissent in Bowles observed, would have yielded the conclusion that statutory time limits “are only jurisdictional if Congress says so.” ...

Bowles and Arbaugh can be reconciled without distorting either decision, however, on the ground that Bowles “rel[ie]d on a long line of this Court’s decisions left undisturbed by Congress.” ... The same is true of our decision, subsequent to Bowles, in *John R. Sand & Gravel Co. v. United States*, 552 U.S. 130, 128 S.Ct. 750 (2008). There the Court concluded, largely on *stare decisis* grounds, that the Court of Federal Claims statute of limitations requires *sua sponte* consideration of a lawsuit’s timeliness. ...

Plainly read, Arbaugh and Bowles both point to the conclusion that § 411(a) is nonjurisdictional. Section 411(a) “does not speak in jurisdictional terms or refer in any way to the jurisdiction of the district courts.” ... Arbaugh’s “readily administrable bright line” is therefore controlling. ...

Bowles does not detract from that determination. Amicus, reading Bowles as I do, urges on its authority that we hold § 411(a) jurisdictional lest we disregard “‘a century’s worth of precedent.’” But in Bowles and *John R. Sand & Gravel Co.*, as just explained, we relied on longstanding decisions of this Court typing the relevant prescriptions “jurisdictional.” ... Amicus cites well over 200 opinions that characterize § 411(a) as jurisdictional, but not one is from this Court, and most are “‘drive-by jurisdictional rulings’ that should be accorded ‘no precedential effect,’” Arbaugh, 546 U.S., at 511

In *Jerry v. Beard*, 2011 WL 989856, 419 Fed. Appx. 260 (3rd Cir. 2011) (not officially published), the Third Circuit held that a state prison inmate may have a claim against the department of corrections under the Copyright Act arising from the prison librarian’s confiscation of the manuscript of his children’s book, as unlawful interference with his ability to protect his copyright by registration.

Although a prisoner has no right under the Constitution or federal law to engage in business, and one function of copyright is to allow the creator of a work to do so, we think the District Court’s analysis was too narrow [in rejecting the prisoner’s claim arising from the confiscation of his manuscript]. The Copyright Act of 1976 ... affords the author of a literary work limited exclusive control over that work, including the right to prevent others from commercially exploiting the work. ... This right vests the moment the author commits the story to paper. ... Under § 407 of the Act, a copyright holder may register his work with the Library of Congress to obtain additional protections against infringement. It does not appear that exercising this right necessarily constitutes engaging in a business activity. Taking as true [the prisoner’s] assertion that his story was never returned—and perhaps was destroyed—he may be able to assert a claim under the Copyright Act against the DOC for interfering with his ability to protect his copyright through registration with the Library of Congress.

§3.3, D, 2: Registration

Page 433 (insert after the discussion of Oravec):

“[I]f the same party owns a copyright in both a derivative work ... and the underlying work that is incorporated in the derivative work, registration of a copyright in the derivative work is sufficient to

permit an infringement action on either the preexisting (unoriginal) material or on any newly contributed material.” *R.W. Beck, Inc. v. E3 Consulting, LLC*, 577 F.3d 1133, 1143 (10th Cir. 2009).

§3.4, C: Restoration of Copyright in Certain Foreign Works

Page 465 (insert before “D. When Works Pass into the Public Domain”):

Ultimately, the Tenth Circuit reversed the district court determination on remand that the statute was not “narrowly tailored,” and upheld the statute’s constitutionality. *Golan v. Holder*, 609 F.3d 1076 (10th Cir. 2010). The United States Supreme Court granted certiorari and affirmed the holding of constitutionality. *Golan v. Holder*, 132 S.Ct. 873 (2012) (see above for the Court’s opinion).

§4.1, C: Dissection and “Total Concept and Feel”

Page 480 (insert at the end of the first, partial, paragraph):

In deciding whether the protected elements of two works are substantially similar, we compare the various components of the two works, but are mindful that “lists of similarities are ‘inherently subjective and unreliable, particularly where the lists contain random similarities, and many such similarities could be found in very dissimilar works.’” ... At the same time, “[a]nalyzing relatively amorphous characteristics of the [work] as a whole (such as the ‘mood’ or ‘combination of elements’) creates a danger of unwittingly extending copyright protection to unoriginal aspects of the work.” ... At the most narrow, focused level, two works will almost always be distinguishable, and at the broadest level of abstraction they will almost always appear identical. Thus, although we identify and compare the protected expressive features of the two works, we do so not simply to count the number of similarities and differences, but rather to determine whether the work’s protected expression has been copied.

Baby Buddies, Inc. v. Toys “R” US, Inc., 611 F.3d 1308, 1316 (11th Cir. 2010).

§4.1, D: Substantial Similarity and Non-Literal Similarity Revisited

Page 487 (insert before the first full paragraph):

The Sixth Circuit has supported the use of “fragmented literal similarity” to find infringement in the absence of similarity in “overall concept or tone”. *Bridgeport Music, Inc. v. UMG Recordings, Inc.*, 585 F.3d 267 (6th Cir. 2009); “The copying of a relatively small but qualitatively important or crucial element can be an appropriate basis upon which to find substantial similarity.”

Although the “substantial similarity” construct began essentially as a way (along with proof of access) to establish “copying” circumstantially, in the absence of independent proof of copying, courts have begun, just as they have in connection with determining whether a purported derivative work is infringing, to require a finding of “substantial similarity” even where there is some evidence of “copying” in fact. See *Blehm v. Jacobs*, 702 F.3d 1193 (10th Cir. 2012):

The copying element of an infringement claim has two components. ... First, a plaintiff must demonstrate that the defendant copied the plaintiff’s work “as a factual matter.” ... Second, the plaintiff must establish “substantial similarity” between the allegedly infringing work and the elements of the copyrighted work that are legally protected. ... This second component, which is a mixed question of law and fact, determines whether a defendant’s factual copying constitutes actionable infringement.

§4.1, F,2: “Extrinsic/Intrinsic” Analysis—The Ninth Circuit

Page 509 (insert at the end of the first paragraph of “Note”):

The Ninth Circuit continued to follow the Shaw model in *Benay v. Warner Bros. Entertainment, Inc.*, 607 F.3d 620 (9th Cir. 2010) and in *L.A. Printex Industries, Inc. v. Aeropostale, Inc.*, 676 F.3d 841 (9th Cir. 2012).

§4.1, F,2: “Extrinsic/Intrinsic” Analysis—The Ninth Circuit

Page 515 (insert at the end of *Funky Films*):

See *Benay v. Warner Bros. Entertainment, Inc.*, 607 F.3d 620 (9th Cir. 2010), in which the court engaged in a similarly detailed analysis of the various nonliteral expressive components to find a lack of similarity of expression, for purposes of the extrinsic test, between two versions of screenplays of *The Last Samurai*.

§4.2, C: The “Inverse Ratio Rule”

Page 533 (insert at the end of the first paragraph):

As in *Funky Films*, the Ninth Circuit continued to apply the “rule” to lower the burden of proof of substantial similarity where access is clearly established. *Benay v. Warner Bros. Entertainment, Inc.*, 607 F.3d 620 (9th Cir. 2010) (“Under the ‘inverse ratio’ rule, if a defendant had access to a copyrighted work, the plaintiff may show infringement based on a lesser degree of similarity between the copyrighted work and the allegedly infringing work”). In *Peters v. West*, 692 F.3d 629 (7th Cir. 2012), the Seventh Circuit questioned the “rule” as such and the Ninth Circuit’s purported adoption of it with respect to access lowering proof of similarity, noting that it had been explicitly rejected by the Second Circuit; the court notes that while, as in *Selle v. Gibb and Ty, Inc. v. GMA Accessories*, below, a high degree of similarity can reduce the required quantum of proof of access, there is no reason for a converse “rule.”

§4.3, B, 3: Fair Use—The Post-Campbell Cases

Page 585 (insert before “Notes”):

Gaylord v. United States

United States Court of Appeals, Federal Circuit, 2010
595 F.3d 1364

Anthony L. Fletcher, Heidi E. Harvey, for plaintiff-appellant.

Scott Bolden, Tony West, John J. Fargo, Gary L. Hausken, for defendant-appellee.

Anthony T. Falzone, Julie A. Ahrens, Sarah Hinchliff Pearson, Zachary Alinder, and Erica Brand Portnoy, for amici curiae Andy Warhol Foundation for the Visual Arts, Inc., et al.

MOORE, J.: Mr. Frank Gaylord appeals the decision of the United States Court of Federal Claims that a stamp issued by the United States Postal Service made fair use of a copyrighted work, specifically, soldier sculptures in formation constituting part of the Korean War Veterans Memorial (Memorial). The court determined that Mr. Gaylord was the sole author of the soldier sculptures and that his sculptures were not exempt from copyright protection under the Architectural Works Copyright Protection Act (AWCPA). Because the court erred when it determined that the stamp made fair use of Mr. Gaylord’s work, but it correctly determined that the government was not a joint author and that the AWCPA did not bar an infringement suit, we affirm-in-part, reverse-in-part, and remand for a determination of damages.

This case arises from the Postal Service’s decision to issue a 37-cent stamp depicting a portion of the Memorial. The path from the concept of the Memorial to the creation of the stamp spans more than 15 years. In 1986, Congress enacted legislation to erect a memorial in Washington, D.C. to honor veterans of the Korean War. ... The legislation authorized the American Battle Monuments Commission (Commission) to establish the Memorial, and the Commission sponsored a contest to

select the designer of the Memorial. A team from the Pennsylvania State University (the Penn State Team) won the contest with a proposal to create 38 larger-than-life granite soldiers in formation. According to the Penn State Team, “[f]rom a distance, one [would see] the Memorial as an elusive, dream-like presence of ghostly figures moving across a remote landscape.” Although its original concept undoubtedly influenced the design of the Memorial, the Penn State Team eventually withdrew from the project.

The Army Corps of Engineers selected Cooper-Lecky Architects, P.C. (Cooper-Lecky) as the prime contractor for the creation, construction, and installation of the Memorial. Cooper-Lecky sponsored a competition to select the sculptor for the Memorial. Mr. Gaylord, a nationally recognized sculptor, won the contest.

In 1990, Mr. Gaylord began work on the project. Although the Penn State Team’s proposal called for 38 granite soldiers, “the final design featured 19 stainless steel statues representing a platoon of foot soldiers in formation,” referred to as The Column. ... Mr. Gaylord prepared successively larger models of the soldiers, transforming them along the way in response to critiques and suggestions by Cooper-Lecky, members of the Korean War Veterans Memorial Advisory Board (VAB), and the Commission on Fine Arts (CFA). Once Mr. Gaylord completed models for the soldiers, they were cast in stainless steel and installed at the site of the Memorial on the National Mall in Washington, D.C. At the suggestion of a member of the VAB, Mr. Gaylord staggered the statues, thereby creating the composition of The Column. Cooper-Lecky, the VAB, and the CFA all participated in incorporating The Column into the Memorial, which also includes landscaping, a mural, and granite plates representing the reflection of rice paddies at the soldiers’ feet. A picture of The Column—taken on a sunny day—is below.



Mr. Gaylord received five copyright registrations relating to the soldier sculptures from 1990 to 1995. Each certificate listed Mr. Gaylord as the sole author. The registrations include pictures of the clay models for the sculptures as they evolved over the years, and eventually, the sculptures themselves. For example, in his November 11, 1993 registration, he described the work as clay “statuettes—fully approved—19 soldiers—National Korean War Veterans Memorial.” His August 12, 1994 registration concerned “19 7’-6” tall clay soldiers to be cast in stainless steel for the National Korean War Veterans Memorial on the mall in Washington, D.C.” Shortly after the statues were installed, on May 1, 1995, Mr. Gaylord filed a certificate of copyright registration for the soldiers as they appeared before and after casting. This certificate included photographs of the soldiers as installed on the National Mall.

In 1995, shortly after the Memorial was dedicated, a photographer named John Alli took a photograph of the Memorial as a retirement gift for his father, a veteran of the Korean War. Mr. Alli visited the Memorial on five or six occasions, taking photographs at various times of year and day. One such visit occurred in January 1996 just after a snowstorm. Over the course of about two hours on that cold winter morning, Mr. Alli took about 100 photographs of the Memorial, including photographs of individual soldiers, from various angles using different exposures and lighting conditions. Mr. Alli selected one of his photographs for his father’s retirement gift. The photograph, titled “Real Life,” is reproduced below. No one questions that Mr. Alli is entitled to his own copyright protection in his photograph as a derivative work.



Mr. Alli decided to sell prints of the photograph. He therefore sought permission from the copyright owner of the underlying work, eventually locating Mr. Lecky of Cooper-Lecky, who held himself out as the “outright” owner of the copyright. Mr. Alli agreed to pay a 10% royalty on sales of prints of his photographs to a licensing entity established by Mr. Lecky. Mr. Lecky did not notify Mr. Gaylord about the agreement with Mr. Alli.²

In 2002, the Postal Service decided to issue a 37-cent stamp commemorating the 50th anniversary of the armistice of the Korean War. The Postal Service selected Mr. Alli’s photograph for the stamp and paid him \$1500 for its use. Mr. Alli told the Postal Service that it would need the permission of the owner of the copyright of the underlying work and referred the Postal Service to Mr. Lecky.

The Postal Service issued the stamp, titled “Korean War Veterans Memorial.” The stamp features Mr. Alli’s photo and depicts 14 of the 19 soldier sculptures (see below).



The Postal Service produced approximately 86.8 million stamps before retiring the stamp on March 31, 2005. The Postal Service acknowledged that it received over \$17 million from the sale of nearly 48 million stamps. It was estimated that in 2003, the Postal Service generated \$5.4 million from the sales of stamps to collectors who did not use the stamps to send mail. In addition, the Postal Service sold retail goods such as commemorative panels and framed art featuring images of the stamp. It did not seek or obtain Mr. Gaylord’s permission to use the sculptures in the stamp or in any related retail goods.

Mr. Gaylord sued the government in the Court of Federal Claims on July 25, 2006, alleging infringement of his copyright. On June 16-20, 2008, the Court of Federal Claims conducted a trial, at which the government argued that the stamp made fair use of the work, excepting it from copyright liability. The government further argued that it had rights to the work as a joint author, which would provide it an unlimited license in the work. Finally, the government argued that the stamp fell under the exclusion from liability for copyright infringement for architectural works under the AWCPA. The Court of Federal Claims determined that Mr. Gaylord was the sole copyright owner of The Column and that The Column did not qualify as an architectural work under the AWCPA. ... However, the Court of Federal Claims also determined that the government was not liable for copyright infringement because the government’s use of The Column was fair use. ... Mr. Gaylord appeals the court’s decision as to fair use, and the government challenges the court’s determinations of ownership and the inapplicability of the AWCPA. ...

² In 2006, Mr. Gaylord sued Mr. Alli for copyright infringement. Mr. Alli settled the dispute and agreed to pay Mr. Gaylord 10% of his net sales.

Discussion

...

I. Fair Use

...

A. Purpose and Character of the Infringing Use

When evaluating the purpose and character of the use, one must consider “whether the new work merely ‘supersede[s] the objects’ of the original creation or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message; it asks, in other words, whether and to what extent the new work is ‘transformative.’” [citing Campbell] Although “transformative use is not absolutely necessary for a finding of fair use, the goal of copyright, to promote science and the arts, is generally furthered by the creation of transformative works. Such works thus lie at the heart of the fair use doctrine’s guarantee of breathing space within the confines of copyright.” ... The Court of Federal Claims concluded that this factor weighed heavily in favor of fair use because the stamp was transformative. ... The court determined that “while both the Stamp and ‘The Column’ are intended to honor veterans of the Korean War, the Stamp is transformative, providing a different expressive character than ‘The Column.’” ... It explained that Mr. Alli transformed the three-dimensional sculpture with his photograph by “creating a surrealistic environment with snow and subdued lighting where the viewer is left unsure whether he is viewing a photograph of statues or actual human beings.” ... The court determined that the Postal Service further transformed The Column by “making it even grayer, creating a nearly monochromatic image. This adjustment enhanced the surrealistic expression ultimately seen in the Stamp by making it colder.” ... The Court of Federal Claims concluded that the stamp was “a transformative work, having a new and different character and expression than Mr. Gaylord’s ‘The Column.’” ...

We disagree. As a preliminary matter, we note that the inquiry must focus on the purpose and character of the stamp, rather than that of Mr. Alli’s photograph. The stamp does not reflect any “further purpose” than The Column. ... As the Court of Federal Claims found, both the stamp and The Column share a common purpose: to honor veterans of the Korean War.

Works that make fair use of copyrighted material often transform the purpose or character of the work by incorporating it into a larger commentary or criticism. For example, in *Blanch v. Koons*, an artist incorporated a copyrighted photograph of a woman’s feet adorned with glittery Gucci sandals into a collage “commenting on the ‘commercial images ... in our consumer culture.’” ... The court determined that this was fair use in part because the collage was transformative. ... It reasoned that the collage and the photo had “sharply different” purposes and that the collage was intended to be a “commentary on the social and aesthetic consequences of mass media.” ... Such transformation of a copyrighted work into a larger commentary or criticism fall squarely within the definition of fair use.

The government points to *Lennon v. Premise Media Corp.*, 556 F.Supp.2d 310 (S.D.N.Y.2008), as an example of a case where a secondary use was deemed transformative fair use without commenting on the original. In *Lennon*, defendants-filmmakers used a 15-second clip of John Lennon’s “Imagine” that they believed envisioned a world without religion. ... (“Nothing to kill or die for/And no religion too”). The filmmakers played this audio clip while showing Cold War-era images of marching soldiers and an image of Stalin, “express[ing] the filmmakers’ view that the song’s secular utopian vision ‘cannot be maintained without realization in a politicized form’ and that the form it will ultimately take is dictatorship.” ... The court concluded that “[t]he movie thus use[d] the excerpt of ‘Imagine’ to criticize what the filmmakers see as the naïveté of John Lennon’s views.” ... This use appears clearly transformative, and (as in *Blanch*) falls safely within the definition of fair use. By contrast, here the stamp did not use The Column as part of a commentary or criticism.

We conclude that the stamp does not transform the character of The Column. Although the stamp altered the appearance of The Column by adding snow and muting the color, these alterations do not impart a different character to the work. To the extent that the stamp has a surreal character, The Column and its soldiers themselves contribute to that character. Indeed, the Penn State Team suggested that the Memorial have a “dream-like presence of ghostly figures.” Capturing The Column on a cold morning after a snowstorm—rather than on a warm sunny day—does not transform its character, meaning, or message. Nature’s decision to snow cannot deprive Mr. Gaylord of an otherwise valid right to exclude.

Analysis of the purpose and character of the use also includes whether the “use is of a commercial nature or is for nonprofit educational purposes.” ... The Postal Service acknowledged receiving \$17 million from the sale of nearly 48 million 37-cent stamps. An estimated \$5.4 million in stamps were sold to collectors in 2003. The stamp clearly has a commercial purpose. The Court of Federal Claims did not address how the commercial purpose of the stamp affected this factor of the fair use analysis.

Because the stamp did not have a further purpose or different character, and because it had a commercial use, we conclude that this factor weighs strongly against fair use.

B. Nature of the Copyrighted Work

We next consider the nature of the copyrighted work, The Column. ... The Court of Federal Claims acknowledged the expressive and creative nature of The Column, which weighs against fair use. ... We see no clear error in the Court of Federal Claims’ finding that The Column is expressive and creative. However, it noted that “when a creative work has been copied, the second factor may be of limited utility to the fair use analysis where the challenged work is transformative.” ... Therefore, because it had previously determined that the stamp was transformative, it gave this factor “limited weight” in its fair use analysis. ...

In *Blanch*, the Court of Appeals for the Second Circuit determined that the creative nature of a copyrighted work had limited weight in the fair use analysis because the secondary work used the original “in a transformative manner to comment on her image’s social and aesthetic meaning rather than to exploit its creative virtues.” ... In this case, the stamp did not use The Column in a transformative manner—the purpose and character of the use were identical. Thus, we see no reason to discount the expressive and creative nature of The Column.

Although The Column is part of a national monument—perhaps the epitome of a published work—given the overall creative and expressive nature of the work, we conclude that this factor weighs against fair use. ...

C. The Amount and Substantiality of the Portion Used

The third factor concerns whether “the amount and substantiality of the portion used in relation ... Courts consider both the quantity and quality of the materials used. ... As to the quantity, the Court of Federal Claims found that the stamp depicted a substantial number (14 of the 19) of the soldier sculptures, weighing against fair use. As to the quality, the court determined that “Mr. Alli and the Postal Service used variables to lessen the quality and importance of ‘The Column’ and to alter the expression of the Stamp,” changing “the qualitative message of ‘The Column.’ ” ... The court concluded that while the use of many of the soldier statues weighed against fair use, the weight of this factor was “somewhat mitigated” by the quality and importance of the statues to the stamp. ...

We agree that the government’s use of many of the soldiers in the stamp weighs against fair use, however, we disagree that the weight is mitigated by the quality and importance of The Column to the stamp. The Column constitutes the focus—essentially the entire subject matter—of the stamp. The stamp itself is titled “Korean War Veterans Memorial.” Although the snow and muted coloring lessen

the features of the soldier sculptures, the stamp clearly depicts an image of The Column. Thus, we conclude that this factor weighs against fair use.

D. Market Impact

The fourth fair use factor is “the effect of the use upon the potential market for or value of the copyrighted work.” ... This factor requires courts to consider “whether unrestricted and widespread conduct of the sort engaged in by the defendant ... would result in a substantially adverse impact on the potential market.” Campbell “In evaluating this factor, a court must consider not only the primary market for the copyrighted work, but the current and potential market for derivative works.” *Twin Peaks*, 996 F.2d at 1377. The Court of Federal Claims found that the stamp caused no harm to either the value of The Column or the market for derivative works. ... It noted that Mr. Gaylord conceded that the stamp actually increased the value of The Column. ... The court further determined that the stamp did not impact Mr. Gaylord’s prior efforts to market derivative works, and that it was not likely to impact such efforts in the future because the stamp was an inadequate market substitute for The Column. ... The court reasoned that the stamp was analogous to the thumbnail images in *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 821 (9th Cir.2003), and *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146 (9th Cir.2007). The court therefore concluded that this factor weighed in favor of fair use. ...

We see no clear error in the court’s determination that the stamp has not and will not adversely impact Mr. Gaylord’s efforts to market derivative works of The Column. Someone seeking to take a photograph of The Column or otherwise create a derivative work would not find the stamp to be a suitable substitute for The Column itself. Thus, we agree that this factor favors fair use.

E. No Fair Use

Weighing the factors, we conclude that the government’s use of The Column in the stamp was not a fair use. Even though the stamp did not harm the market for derivative works, allowing the government to commercially exploit a creative and expressive work will not advance the purposes of copyright in this case. ...

[The court then found that The Column was not a joint work and that it was not “an architectural work” governed by the provisions of the AWCPA, which permits photographing of architectural works visible from a public place. Judge Newman dissented, arguing that the United States was protected both by its contract in connection with the Memorial and by fair use.]

On remand, the Federal Court of Claims rejected Gaylord’s claim for damages of about \$3,000,000, based on a “royalty” rate, and instead awarded him a total of \$5,000 (“the highest amount the Postal Service has ever paid for the right to use a copyrighted image on a stamp.”). The Court of Appeals for the Federal Circuit reversed and remanded, holding that Gaylord was entitled to be paid “the market value of the Postal Service’s infringing use.” 678 F.3d 1339 (Fed. Cir. 2012) (“The trial court erred in this case by restricting its focus to the Postal Service’s past payments: \$1,500-\$5,000. Defendants cannot insulate themselves from paying for the damages they caused by resting on their past agreements and by creating internal “policies” that shield them from paying fair market value for what they took.”)

The court, in *Gaylord* observed that “transformation of a copyrighted work into a larger commentary or criticism fall squarely within the definition of fair use,” and the Ninth Circuit stated (quoting from *Campbell*), in rejecting a fair use defense in *Monge v. Maya Magazines*, 688 F.3d 1164 (9th Cir. 2012) that: “the ‘heart’ of a claim for transformative use is ‘the use of some elements of a prior author’s composition to create a new one that, at least in part, comments on that author’s works’” and

that “a ‘difference in purpose is not quite the same thing as transformation.’” (quoting from *Infinity Broadcasting Corp. v. Kirkwood*, 150 F.3d 104 (2d Cir. 1998)). The focus on “commentary or criticism” and the Second Circuit’s *Infinity* approach to “repurposing” was rejected, and an expanded view of “repurposing” was adopted by a divided Second Circuit panel in finding a work of “appropriation art” to be fair use in *Cariou v. Prince*, 714 F.3d 694 (2d Cir. 2013).

§5.1, C: Claims Involving Foreign Acts of Infringement

Page 660 (insert before the paragraph preceding D. Foreign Contacts and Choice of Law):

The “predicate act” doctrine, allowing recovery of damages incurred abroad flowing from a predicate act of infringement in the United States, enunciated in *Los Angeles News Service v. Reuters*, was reaffirmed by the Fourth Circuit in *Tire Engineering v. Shandong Linglong Rubber Co.*, 682 F.3d 292 (4th Cir. 2012), cert. denied, 133 S.Ct. 846 (2013).

§5.2, B, 4: Sovereign Immunity—Congressional Abrogation

Page 673 (insert after Chavez):

The Eleventh Circuit followed reasoning similar to Chavez in holding the abrogation statute unconstitutional and barring copyright infringement claims against a state instrumentality. *National Ass’n of Boards of Pharmacy v. Board of Regents of the University System of Georgia*, 633 F.3d 1297 (11th Cir. 2011).

§5.3, B, 2: Preemption—Misappropriation

Page 697 (insert before “3. Preemption and the Right of Publicity”):

In *Barclay’s Capital, Inc. v. Theflyonthewall.com*, 650 F.3d 876 (2d Cir. 2011), the Second Circuit reaffirmed its *NBA* rationale and the very “narrow” scope of the INS “hot news” exception (holding preempted any state law misappropriation claim arising from the use of securities trading recommendations circulated to plaintiffs’ clients prior to market opening): “a Firm’s ability to make news—by issuing a Recommendation that is likely to affect the market price of a security—does not give rise to a right for it to control who breaks that news and how.” At the same time, a majority of the panel did not feel bound by the *NBA* discussion of “five-part tests” for determining preemption

§5.3, B, 4: Preemption—Contracts

Page 711 (insert before “Note 2”):

The “extra element” test was applied in *Utopia Provider Systems, Inc. v. Pro-Med Clinical Systems, L.L.C.*, 596 F.3d 1313 (11th Cir. 2010) in finding that a state law contract claim, arising from alleged breach of a license agreement was not preempted.

§5.4: Personal Jurisdiction

Page 715 (Insert before “Note: Statute of Limitation”):

In *Penguin Group (USA) Inc. v. American Buddha*, 16 N.Y.3d 295 (2011), the New York Court of Appeals, responding to a certified question from the Court of Appeals for the Second Circuit, dealt with the applicability of New York’s long arm jurisdiction provisions in a federal copyright infringement action brought in New York and arising out of allegedly infringing uploading and downloading activities on internet websites based in Oregon and Arizona, by an Oregon corporation, whose principal place of business is in Arizona. The New York Court of Appeals reframed the certified question as:

In copyright infringement cases involving the uploading of a copyrighted printed literary work onto the Internet, is the situs of injury for purposes of determining long-arm jurisdiction under [New York's long arm statute] the location of the infringing action or the residence or location of the principal place of business of the copyright holder?

The Court concluded that the situs of injury for purposes of determining New York long-arm jurisdiction was the location of the principal place of business of the plaintiff copyright holder:

[A]lthough it may make sense in traditional commercial tort cases to equate a plaintiff's injury with the place where its business is lost or threatened, it is illogical to extend that concept to online copyright infringement cases where the place of uploading is inconsequential and it is difficult, if not impossible, to correlate lost sales to a particular geographic area. In short, the out-of-state location of the infringing conduct carries less weight in the jurisdictional inquiry in circumstances alleging digital piracy and is therefore not dispositive.

...

In sum, the role of the Internet in cases alleging the uploading of copyrighted books distinguishes them from traditional commercial tort cases where courts have generally linked the injury to the place where sales or customers are lost. The location of the infringement in online cases is of little import inasmuch as the primary aim of the infringer is to make the works available to anyone with access to an Internet connection, including computer users in New York. In addition, the injury to a New York copyright holder, while difficult to quantify, is not as remote as a purely indirect financial loss due to the broad spectrum of rights accorded by copyright law. The concurrence of these two elements—the function and nature of the Internet and the diverse ownership rights enjoyed by copyright holders situated in New York—leads us to ... conclude that the alleged injury in this case occurred in New York for purposes of [the long arm statute].

Finally, ... our decision today does not open a Pandora's box allowing any nondomiciliary accused of digital copyright infringement to be haled into a New York court when the plaintiff is a New York copyright owner of a printed literary work. Rather, [the long-arm statute] incorporates built-in safeguards against such exposure by requiring a plaintiff to show that the nondomiciliary both "expects or should reasonably expect the act to have consequences in the state" and, importantly, "derives substantial revenue from interstate or international commerce." There must also be proof that the out-of-state defendant has the requisite "minimum contacts" with the forum state and that the prospect of defending a suit here comports with "traditional notions of fair play and substantial justice," as required by the Federal Due Process Clause. ... These issues are beyond the scope of this certified question and their resolution awaits further briefing before the federal courts.

§6.1, C: Special Limitations for Online Infringement

Page 766 (insert before 6.2. Remedies):

The intricacies and highly technical issues involved in construing the "safe harbor" provisions, as well as the broader question of the degree of specificity of knowledge of infringement that forfeits safe harbor protection were examined in the following opinion:

Viacom International, Inc. v. Youtube, Inc.

United States Court of Appeals, Second Circuit, 2012

676 F.3d 19

Paul M. Smith, William M. Hohengarten, Scott B. Wilkens, Matthew S. Hellman, Susan J. Kohlmann, Theodore B. Olson, Matthew D. McGill, Stuart J. Baskin, for Plaintiffs–Appellants Viacom International, Inc., et al.; Charles S. Sims, William M. Hart, Noah Siskind Gitterman, and

Elizabeth A. Figueira, for Plaintiffs–Appellants Football Association Premier League Ltd., et al.; Max W. Berger and John C. Browne, for Plaintiffs–Appellants Football Association Premier League Ltd., Bourne Co., Murbo Music Publishing, Inc., Cherry Lane Music Publishing Co., Inc., X–Ray Dog Music, Inc., and Fédération Française de Tennis; Louis M. Solomon and Hal S. Shaftel, for Plaintiff–Appellant Football Association Premier League Ltd.; Jacqueline C. Charlesworth, Cindy P. Abramson, David S. Stellings, Annika K. Martin, for Plaintiff–Appellant Stage Three Music (US), Inc., and Plaintiffs–Appellants National Music Publishers’ Association, Rodgers & Hammerstein Organization, Edward B. Marks Music Co., Freddy Bienstock Music Co. d/b/a Bienstock Publishing Co., and Alley Music Corporation; Daniel Girard, Christina Connolly Sharp, David Garrison, and Kevin Doherty, for Plaintiff–Appellant Cal IV Entertainment LLC; Christopher Lovell, Christopher M. McGrath, Jeffrey L. Graubart, and Steve D’Onofrio, for Plaintiffs The Music Force Media Group LLC, The Music Force, LLC, and Sin–Drome Records, Ltd.

Andrew H. Schapiro, A. John P. Mancini, Brian M. Willen, David H. Kramer, Michael H. Rubin, and Bart E. Volkmer, for Defendants–Appellees.

[The number of amici curiae and their counsel is too great to include them here.]

CABRANES, J.: This appeal requires us to clarify the contours of the “safe harbor” provision of the Digital Millennium Copyright Act (DMCA) that limits the liability of online service providers for copyright infringement that occurs “by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider.” 17 U.S.C. § 512(c).

The plaintiffs-appellants in these related actions—Viacom International, Inc. (“Viacom”), The Football Association Premier League Ltd. (“Premier League”), and various film studios, television networks, music publishers, and sports leagues (jointly, the “plaintiffs”)—appeal from an August 10, 2010 judgment of the United States District Court for the Southern District of New York (Louis L. Stanton, Judge), which granted summary judgment to defendants-appellees YouTube, Inc., YouTube, LLC, and Google Inc. (jointly, “YouTube” or the “defendants”). The plaintiffs alleged direct and secondary copyright infringement based on the public performance, display, and reproduction of approximately 79,000 audiovisual “clips” that appeared on the YouTube website between 2005 and 2008. They demanded, *inter alia*, statutory damages pursuant to 17 U.S.C. § 504(c) or, in the alternative, actual damages from the alleged infringement, as well as declaratory and injunctive relief.

In a June 23, 2010 Opinion and Order (the “June 23 Opinion”), the District Court held that the defendants were entitled to DMCA safe harbor protection primarily because they had insufficient notice of the particular infringements in suit. ... In construing the statutory safe harbor, the District Court concluded that the “actual knowledge” or “aware[ness] of facts or circumstances” that would disqualify an online service provider from safe harbor protection under § 512(c)(1)(A) refer to “knowledge of specific and identifiable infringements.” ... The District Court further held that item-specific knowledge of infringing activity is required for a service provider to have the “right and ability to control” infringing activity under § 512(c)(1)(B). ... Finally, the District Court held that the replication, transmittal, and display of videos on YouTube constituted activity “by reason of the storage at the direction of a user” within the meaning of § 512(c)(1). ...

These related cases present a series of significant questions of statutory construction. We conclude that the District Court correctly held that the § 512(c) safe harbor requires knowledge or awareness of specific infringing activity, but we vacate the order granting summary judgment because a reasonable jury could find that YouTube had actual knowledge or awareness of specific infringing activity on its website. We further hold that the District Court erred by interpreting the “right and ability to control” provision to require “item-specific” knowledge. Finally, we affirm the District

Court's holding that three of the challenged YouTube software functions fall within the safe harbor for infringement that occurs "by reason of" user storage; we remand for further fact-finding with respect to a fourth software function.

BACKGROUND

A. The DMCA Safe Harbors

... Title II of the DMCA, separately titled the "Online Copyright Infringement Liability Limitation Act" (OCILLA), was designed to "clarif[y] the liability faced by service providers who transmit potentially infringing material over their networks." S.Rep. No. 105-190 at 2 (1998). But "[r]ather than embarking upon a wholesale clarification" of various copyright doctrines, Congress elected "to leave current law in its evolving state and, instead, to create a series of 'safe harbors[]' for certain common activities of service providers." *Id.* at 19. To that end, OCILLA established a series of four "safe harbors" that allow qualifying service providers to limit their liability for claims of copyright infringement based on (a) "transitory digital network communications," (b) "system caching," (c) "information residing on systems or networks at [the] direction of users," and (d) "information location tools." 17 U.S.C. § 512(a)-(d).

To qualify for protection under any of the safe harbors, a party must meet a set of threshold criteria. First, the party must in fact be a "service provider," defined, in pertinent part, as "a provider of online services or network access, or the operator of facilities therefor." 17 U.S.C. § 512(k)(1)(B). A party that qualifies as a service provider must also satisfy certain "conditions of eligibility," including the adoption and reasonable implementation of a "repeat infringer" policy that "provides for the termination in appropriate circumstances of subscribers and account holders of the service provider's system or network." *Id.* § 512(i)(1)(A). In addition, a qualifying service provider must accommodate "standard technical measures" that are "used by copyright owners to identify or protect copyrighted works." *Id.* § 512(i)(1)(B), (i)(2).

Beyond the threshold criteria, a service provider must satisfy the requirements of a particular safe harbor. In this case, the safe harbor at issue is § 512(c), which covers infringement claims that arise "by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider." *Id.* § 512(c)(1). The § 512(c) safe harbor will apply only if the service provider:

- (A) (i) does not have actual knowledge that the material or an activity using the material on the system or network is infringing;
 - (ii) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or
 - (iii) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material.
- (B) does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity; and
- (C) upon notification of claimed infringement as described in paragraph (3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.

Id. § 512(c)(1)(A)-(C). Section 512(c) also sets forth a detailed notification scheme that requires service providers to "designate[] an agent to receive notifications of claimed infringement," ... and specifies the components of a proper notification, commonly known as a "takedown notice," to that agent Thus, actual knowledge of infringing material, awareness of facts or circumstances that make infringing activity apparent, or receipt of a takedown notice will each trigger an obligation to expeditiously remove the infringing material.

With the statutory context in mind, we now turn to the facts of this case.

B. Factual Background

YouTube was founded in February 2005 by Chad Hurley (“Hurley”), Steve Chen (“Chen”), and Jawed Karim (“Karim”), three former employees of the internet company Paypal. When YouTube announced the “official launch” of the website in December 2005, a press release described YouTube as a “consumer media company” that “allows people to watch, upload, and share personal video clips at [www. You Tube. com.](http://www.YouTube.com)” Under the slogan “Broadcast yourself,” YouTube achieved rapid prominence and profitability, eclipsing competitors such as Google Video and Yahoo Video by wide margins. In November 2006, Google acquired YouTube in a stock-for-stock transaction valued at \$1.65 billion. By March 2010, at the time of summary judgment briefing in this litigation, site traffic on YouTube had soared to more than 1 billion daily video views, with more than 24 hours of new video uploaded to the site every minute.

The basic function of the YouTube website permits users to “upload” and view video clips free of charge. Before uploading a video to YouTube, a user must register and create an account with the website. The registration process requires the user to accept YouTube’s Terms of Use agreement, which provides, *inter alia*, that the user “will not submit material that is copyrighted ... unless [he is] the owner of such rights or ha[s] permission from their rightful owner to post the material and to grant YouTube all of the license rights granted herein.” When the registration process is complete, the user can sign in to his account, select a video to upload from the user’s personal computer, mobile phone, or other device, and instruct the YouTube system to upload the video by clicking on a virtual upload “button.”

Uploading a video to the YouTube website triggers a series of automated software functions. During the upload process, YouTube makes one or more exact copies of the video in its original file format. YouTube also makes one or more additional copies of the video in “Flash” format, a process known as “transcoding.” The transcoding process ensures that YouTube videos are available for viewing by most users at their request. The YouTube system allows users to gain access to video content by “streaming” the video to the user’s computer in response to a playback request. YouTube uses a computer algorithm to identify clips that are “related” to a video the user watches and display links to the “related” clips.

C. Procedural History

Plaintiff Viacom, an American media conglomerate, and various Viacom affiliates filed suit against YouTube on March 13, 2007, alleging direct and secondary copyright infringement based on the public performance, display, and reproduction of their audiovisual works on the YouTube website. Plaintiff Premier League, an English soccer league, and Plaintiff Bourne Co. filed a putative class action against YouTube on May 4, 2007, alleging direct and secondary copyright infringement on behalf of all copyright owners whose material was copied, stored, displayed, or performed on YouTube without authorization. Specifically at issue were some 63,497 video clips identified by Viacom, as well as 13,500 additional clips (jointly, the “clips-in-suit”) identified by the putative class plaintiffs.

The plaintiffs in both actions principally demanded statutory damages pursuant to 17 U.S.C. § 504(c) or, in the alternative, actual damages plus the defendants’ profits from the alleged infringement, as well as declaratory and injunctive relief. Judge Stanton, to whom the Viacom action was assigned, accepted the Premier League class action as related. At the close of discovery, the parties in both

actions cross-moved for partial summary judgment with respect to the applicability of the DMCA safe harbor defense.⁷

In the dual-captioned June 23 Opinion, the District Court denied the plaintiffs' motions and granted summary judgment to the defendants, finding that YouTube qualified for DMCA safe harbor protection with respect to all claims of direct and secondary copyright infringement. ... The District Court prefaced its analysis of the DMCA safe harbor by holding that, based on the plaintiffs' summary judgment submissions, "a jury could find that the defendants not only were generally aware of, but welcomed, copyright-infringing material being placed on their website." ... However, the District Court also noted that the defendants had properly designated an agent pursuant to § 512(c)(2), and "when they received specific notice that a particular item infringed a copyright, they swiftly removed it." ... Accordingly, the District Court identified the crux of the inquiry with respect to YouTube's copyright liability as follows:

[T]he critical question is whether the statutory phrases "actual knowledge that the material or an activity using the material on the system or network is infringing," and "facts or circumstances from which infringing activity is apparent" in § 512(c)(1)(A)(i) and (ii) mean a general awareness that there are infringements (here, claimed to be widespread and common), or rather mean actual or constructive knowledge of specific and identifiable infringements of individual items.

... After quoting at length from the legislative history of the DMCA, the District Court held that "the phrases 'actual knowledge that the material or an activity' is infringing, and 'facts or circumstances' indicating infringing activity, describe knowledge of specific and identifiable infringements of particular individual items." ... "Mere knowledge of [the] prevalence of such activity in general," the District Court concluded, "is not enough." ...

In a final section labeled "Other Points," the District Court rejected two additional claims. First, it rejected the plaintiffs' argument that the replication, transmittal and display of YouTube videos are functions that fall outside the protection § 512(c)(1) affords for "infringement of copyright by reason of ... storage at the direction of the user." ... Second, it rejected the plaintiffs' argument that YouTube was ineligible for safe harbor protection under the control provision, holding that the "right and ability to control" infringing activity under § 512(c)(1)(B) requires "item-specific" knowledge thereof, because "the provider must know of the particular case before he can control it."...

Following the June 23 Opinion, final judgment in favor of YouTube was entered on August 10, 2010. These appeals followed.

Discussion

...

A. Actual and "Red Flag" Knowledge: § 512(c)(1)(A)

The first and most important question on appeal is whether the DMCA safe harbor at issue requires "actual knowledge" or "aware[ness]" of facts or circumstances indicating "specific and identifiable infringements," ... We consider first the scope of the statutory provision and then its application to the record in this case.

1. The Specificity Requirement

... As previously noted, the District Court held that the statutory phrases "actual knowledge that the material ... is infringing" and "facts or circumstances from which infringing activity is apparent"

⁷ It is undisputed that all clips-in-suit had been removed from the YouTube website by the time of summary judgment, mostly in response to DMCA takedown notices.

refer to “knowledge of specific and identifiable infringements.” ... For the reasons that follow, we substantially affirm that holding.

Although the parties marshal a battery of other arguments on appeal, it is the text of the statute that compels our conclusion. In particular, we are persuaded that the basic operation of § 512(c) requires knowledge or awareness of specific infringing activity. Under § 512(c)(1)(A), knowledge or awareness alone does not disqualify the service provider; rather, the provider that gains knowledge or awareness of infringing activity retains safe-harbor protection if it “acts expeditiously to remove, or disable access to, the material.” 17 U.S.C. § 512(c)(1)(A)(iii). Thus, the nature of the removal obligation itself contemplates knowledge or awareness of specific infringing material, because expeditious removal is possible only if the service provider knows with particularity which items to remove. Indeed, to require expeditious removal in the absence of specific knowledge or awareness would be to mandate an amorphous obligation to “take commercially reasonable steps” in response to a generalized awareness of infringement. ... Such a view cannot be reconciled with the language of the statute, which requires “expeditious[]” action to remove or disable “the material ” at issue. 17 U.S.C. § 512(c)(1)(A)(iii) (emphasis added).

On appeal, the plaintiffs dispute this conclusion by drawing our attention to § 512(c)(1)(A)(ii), the so-called “red flag” knowledge provision. ... (limiting liability where, “in the absence of such actual knowledge, [the service provider] is not aware of facts or circumstances from which infringing activity is apparent”). In their view, the use of the phrase “facts or circumstances” demonstrates that Congress did not intend to limit the red flag provision to a particular type of knowledge. The plaintiffs contend that requiring awareness of specific infringements in order to establish “aware[ness] of facts or circumstances from which infringing activity is apparent,” ..., renders the red flag provision superfluous, because that provision would be satisfied only when the “actual knowledge” provision is also satisfied. For that reason, the plaintiffs urge the Court to hold that the red flag provision “requires less specificity” than the actual knowledge provision. ...

This argument misconstrues the relationship between “actual” knowledge and “red flag” knowledge. It is true that “we are required to ‘disfavor interpretations of statutes that render language superfluous.’” ... But contrary to the plaintiffs’ assertions, construing § 512(c)(1)(A) to require actual knowledge or awareness of specific instances of infringement does not render the red flag provision superfluous. The phrase “actual knowledge,” which appears in § 512(c)(1)(A)(i), is frequently used to denote subjective belief. ... By contrast, courts often invoke the language of “facts or circumstances,” which appears in § 512(c)(1)(A)(ii), in discussing an objective reasonableness standard. ...

The difference between actual and red flag knowledge is thus not between specific and generalized knowledge, but instead between a subjective and an objective standard. In other words, the actual knowledge provision turns on whether the provider actually or “subjectively” knew of specific infringement, while the red flag provision turns on whether the provider was subjectively aware of facts that would have made the specific infringement “objectively” obvious to a reasonable person. The red flag provision, because it incorporates an objective standard, is not swallowed up by the actual knowledge provision under our construction of the § 512(c) safe harbor. Both provisions do independent work, and both apply only to specific instances of infringement.

The limited body of case law interpreting the knowledge provisions of the § 512(c) safe harbor comports with our view of the specificity requirement. Most recently, a panel of the Ninth Circuit addressed the scope of § 512(c) in *UMG Recordings, Inc. v. Shelter Capital Partners LLC*, 667 F.3d 1022 (9th Cir.2011), a copyright infringement case against Veoh Networks, a video-hosting service similar to YouTube. ... The Court of Appeals affirmed the district court’s determination on summary judgment that the website operator was entitled to safe harbor protection. With respect to the actual knowledge provision, the panel declined to “adopt[] a broad conception of the knowledge

requirement,” ... holding instead that the safe harbor “[r]equir [es] specific knowledge of particular infringing activity,” ... The Court of Appeals “reach[ed] the same conclusion” with respect to the red flag provision, noting that “[w]e do not place the burden of determining whether [materials] are actually illegal on a service provider.” ...

Although Shelter Capital contains the most explicit discussion of the § 512(c) knowledge provisions, other cases are generally in accord. ... While we decline to adopt the reasoning of those decisions in toto, we note that no court has embraced the contrary proposition—urged by the plaintiffs—that the red flag provision “requires less specificity” than the actual knowledge provision.

Based on the text of § 512(c)(1)(A), as well as the limited case law on point, we affirm the District Court’s holding that actual knowledge or awareness of facts or circumstances that indicate specific and identifiable instances of infringement will disqualify a service provider from the safe harbor.

2. The Grant of Summary Judgment

The corollary question on appeal is whether, under the foregoing construction of § 512(c)(1)(A), the District Court erred in granting summary judgment to YouTube on the record presented. For the reasons that follow, we hold that although the District Court correctly interpreted § 512(c)(1)(A), summary judgment for the defendants was premature

i. Specific Knowledge or Awareness

The plaintiffs argue that, even under the District Court’s construction of the safe harbor, the record raises material issues of fact regarding YouTube’s actual knowledge or “red flag” awareness of specific instances of infringement. To that end, the plaintiffs draw our attention to various estimates regarding the percentage of infringing content on the YouTube website. For example, Viacom cites evidence that YouTube employees conducted website surveys and estimated that 75–80% of all YouTube streams contained copyrighted material. The class plaintiffs similarly claim that Credit Suisse, acting as financial advisor to Google, estimated that more than 60% of YouTube’s content was “premium” copyrighted content—and that only 10% of the premium content was authorized. These approximations suggest that the defendants were conscious that significant quantities of material on the YouTube website were infringing. ... But such estimates are insufficient, standing alone, to create a triable issue of fact as to whether YouTube actually knew, or was aware of facts or circumstances that would indicate, the existence of particular instances of infringement.

Beyond the survey results, the plaintiffs rely upon internal YouTube communications that do refer to particular clips or groups of clips. The class plaintiffs argue that YouTube was aware of specific infringing material because, *inter alia*, YouTube attempted to search for specific Premier League videos on the site in order to gauge their “value based on video usage.” In particular, the class plaintiffs cite a February 7, 2007 e-mail from Patrick Walker, director of video partnerships for Google and YouTube, requesting that his colleagues calculate the number of daily searches for the terms “soccer,” “football,” and “Premier League” in preparation for a bid on the global rights to Premier League content. On another occasion, Walker requested that any “clearly infringing, official broadcast footage” from a list of top Premier League clubs—including Liverpool Football Club, Chelsea Football Club, Manchester United Football Club, and Arsenal Football Club—be taken down in advance of a meeting with the heads of “several major sports teams and leagues.” YouTube ultimately decided not to make a bid for the Premier League rights—but the infringing content allegedly remained on the website.

The record in the Viacom action includes additional examples. For instance, YouTube founder Jawed Karim prepared a report in March 2006 which stated that, “[a]s of today[,] episodes and clips of the following well-known shows can still be found [on YouTube]: Family Guy, South Park, MTV Cribs, Daily Show, Reno 911, [and] Dave Chapelle [sic].” Karim further opined that, “although

YouTube is not legally required to monitor content ... and complies with DMCA takedown requests, we would benefit from preemptively removing content that is blatantly illegal and likely to attract criticism.” He also noted that “a more thorough analysis” of the issue would be required. At least some of the TV shows to which Karim referred are owned by Viacom. A reasonable juror could conclude from the March 2006 report that Karim knew of the presence of Viacom-owned material on YouTube, since he presumably located specific clips of the shows in question before he could announce that YouTube hosted the content “[a]s of today.” A reasonable juror could also conclude that Karim believed the clips he located to be infringing (since he refers to them as “blatantly illegal”), and that YouTube did not remove the content from the website until conducting “a more thorough analysis,” thus exposing the company to liability in the interim.

Furthermore, in a July 4, 2005 e-mail exchange, YouTube founder Chad Hurley sent an e-mail to his co-founders with the subject line “budlight commercials,” and stated, “we need to reject these too.” Steve Chen responded, “can we please leave these in a bit longer? another week or two can’t hurt.” Karim also replied, indicating that he “added back in all 28 bud videos.” Similarly, in an August 9, 2005 e-mail exchange, Hurley urged his colleagues “to start being diligent about rejecting copyrighted / inappropriate content,” noting that “there is a cnn clip of the shuttle clip on the site today, if the boys from Turner would come to the site, they might be pissed?” Again, Chen resisted:

but we should just keep that stuff on the site. i really don’t see what will happen. what? someone from cnn sees it? he happens to be someone with power? he happens to want to take it down right away. he gets in touch with cnn legal. 2 weeks later, we get a cease & desist letter. we take the video down.

And again, Karim agreed, indicating that “the CNN space shuttle clip, I like. we can remove it once we’re bigger and better known, but for now that clip is fine.”

Upon a review of the record, we are persuaded that the plaintiffs may have raised a material issue of fact regarding YouTube’s knowledge or awareness of specific instances of infringement. The foregoing Premier League e-mails request the identification and removal of “clearly infringing, official broadcast footage.” The March 2006 report indicates Karim’s awareness of specific clips that he perceived to be “blatantly illegal.” Similarly, the Bud Light and space shuttle e-mails refer to particular clips in the context of correspondence about whether to remove infringing material from the website. On these facts, a reasonable juror could conclude that YouTube had actual knowledge of specific infringing activity, or was at least aware of facts or circumstances from which specific infringing activity was apparent. ... Accordingly, we hold that summary judgment to YouTube on all clips-in-suit, especially in the absence of any detailed examination of the extensive record on summary judgment, was premature.

We hasten to note, however, that although the foregoing e-mails were annexed as exhibits to the summary judgment papers, it is unclear whether the clips referenced therein are among the current clips-in-suit. By definition, only the current clips-in-suit are at issue in this litigation. Accordingly, we vacate the order granting summary judgment and instruct the District Court to determine on remand whether any specific infringements of which YouTube had knowledge or awareness correspond to the clips-in-suit in these actions.

ii. “Willful Blindness”

The plaintiffs further argue that the District Court erred in granting summary judgment to the defendants despite evidence that YouTube was “willfully blind” to specific infringing activity. On this issue of first impression, we consider the application of the common law willful blindness doctrine in the DMCA context.

... A person is “willfully blind” or engages in “conscious avoidance” amounting to knowledge where the person “was aware of a high probability of the fact in dispute and consciously avoided confirming that fact.”... Writing in the trademark infringement context, we have held that “[a] service provider is not ... permitted willful blindness. When it has reason to suspect that users of its service are infringing a protected mark, it may not shield itself from learning of the particular infringing transactions by looking the other way.” ...

The DMCA does not mention willful blindness. As a general matter, we interpret a statute to abrogate a common law principle only if the statute “speak[s] directly to the question addressed by the common law.” ... The relevant question, therefore, is whether the DMCA “speak[s] directly” to the principle of willful blindness. ... The DMCA provision most relevant to the abrogation inquiry is § 512(m), which provides that safe harbor protection shall not be conditioned on “a service provider monitoring its service or affirmatively seeking facts indicating infringing activity, except to the extent consistent with a standard technical measure complying with the provisions of subsection (i).” ... Section 512(m) is explicit: DMCA safe harbor protection cannot be conditioned on affirmative monitoring by a service provider. For that reason, § 512(m) is incompatible with a broad common law duty to monitor or otherwise seek out infringing activity based on general awareness that infringement may be occurring. That fact does not, however, dispose of the abrogation inquiry; as previously noted, willful blindness cannot be defined as an affirmative duty to monitor. ... Because the statute does not “speak[] directly” to the willful blindness doctrine, § 512(m) limits—but does not abrogate—the doctrine. Accordingly, we hold that the willful blindness doctrine may be applied, in appropriate circumstances, to demonstrate knowledge or awareness of specific instances of infringement under the DMCA.

The District Court cited § 512(m) for the proposition that safe harbor protection does not require affirmative monitoring, ... but did not expressly address the principle of willful blindness or its relationship to the DMCA safe harbors. As a result, whether the defendants made a “deliberate effort to avoid guilty knowledge,” ... remains a fact question for the District Court to consider in the first instance on remand.¹⁰

B. Control and Benefit: § 512(c)(1)(B)

Apart from the foregoing knowledge provisions, the § 512(c) safe harbor provides that an eligible service provider must “not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity.” ... The District Court addressed this issue in a single paragraph, quoting from § 512(c)(1)(B), the so-called “control and benefit” provision, and concluding that “[t]he ‘right and ability to control’ the activity requires knowledge of it, which must be item-specific.” ... For the reasons that follow, we hold that the District Court erred by importing a specific knowledge requirement into the control and benefit provision, and we therefore remand for further fact-finding on the issue of control.

1. “Right and Ability to Control” Infringing Activity

On appeal, the parties advocate two competing constructions of the “right and ability to control” infringing activity. ... Because each is fatally flawed, we reject both proposed constructions in favor of a fact-based inquiry to be conducted in the first instance by the District Court.

¹⁰ Our recent decision in *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir.2010), lends support to this result. In *Tiffany*, we rejected a willful blindness challenge, holding that although eBay “knew as a general matter that counterfeit Tiffany products were listed and sold through its website,” such knowledge “is insufficient to trigger liability.” ... In so holding, however, we rested on the extensive findings of the district court with respect to willful blindness. ... Thus, the *Tiffany* holding counsels in favor of explicit fact-finding on the issue of willful blindness.

The first construction, pressed by the defendants, is the one adopted by the District Court, which held that “the provider must know of the particular case before he can control it.” ... The Ninth Circuit recently agreed, holding that “until [the service provider] becomes aware of specific unauthorized material, it cannot exercise its ‘power or authority’ over the specific infringing item. In practical terms, it does not have the kind of ability to control infringing activity the statute contemplates.” *UMG Recordings, Inc. v. Shelter Capital Partners LLC*, 667 F.3d 1022, 1041 (9th Cir.2011). The trouble with this construction is that importing a specific knowledge requirement into § 512(c)(1)(B) renders the control provision duplicative of § 512(c)(1)(A). Any service provider that has item-specific knowledge of infringing activity and thereby obtains financial benefit would already be excluded from the safe harbor under § 512(c)(1)(A) for having specific knowledge of infringing material and failing to effect expeditious removal. No additional service provider would be excluded by § 512(c)(1)(B) that was not already excluded by § 512(c)(1)(A). Because statutory interpretations that render language superfluous are disfavored, ... we reject the District Court’s interpretation of the control provision.

The second construction, urged by the plaintiffs, is that the control provision codifies the common law doctrine of vicarious copyright liability. The common law imposes liability for vicarious copyright infringement “[w]hen the right and ability to supervise coalesce with an obvious and direct financial interest in the exploitation of copyrighted materials—even in the absence of actual knowledge that the copyright mono [poly] is being impaired.” ... To support their codification argument, the plaintiffs rely on a House Report relating to a preliminary version of the DMCA: “The ‘right and ability to control’ language ... codifies the second element of vicarious liability.... Subparagraph (B) is intended to preserve existing case law that examines all relevant aspects of the relationship between the primary and secondary infringer.” H.R.Rep. No. 105–551(I), at 26 (1998). In response, YouTube notes that the codification reference was omitted from the committee reports describing the final legislation, and that Congress ultimately abandoned any attempt to “embark[] upon a wholesale clarification” of vicarious liability, electing instead “to create a series of ‘safe harbors’ for certain common activities of service providers.” S.Rep. No. 105–190, at 19.

Happily, the future of digital copyright law does not turn on the confused legislative history of the control provision. The general rule with respect to common law codification is that when “Congress uses terms that have accumulated settled meaning under the common law, a court must infer, unless the statute otherwise dictates, that Congress means to incorporate the established meaning of those terms.” ... Under the common law vicarious liability standard, “[t]he ability to block infringers’ access to a particular environment for any reason whatsoever is evidence of the right and ability to supervise.” ... To adopt that principle in the DMCA context, however, would render the statute internally inconsistent. Section 512(c) actually presumes that service providers have the ability to “block ... access” to infringing material. ... Indeed, a service provider who has knowledge or awareness of infringing material or who receives a takedown notice from a copyright holder is required to “remove, or disable access to, the material” in order to claim the benefit of the safe harbor. ... But in taking such action, the service provider would—in the plaintiffs’ analysis—be admitting the “right and ability to control” the infringing material. Thus, the prerequisite to safe harbor protection under § 512(c)(1)(A)(iii) & (C) would at the same time be a disqualifier under § 512(c)(1)(B).

Moreover, if Congress had intended § 512(c)(1)(B) to be coextensive with vicarious liability, “the statute could have accomplished that result in a more direct manner.” *Shelter Capital*, 667 F.3d at 1045. ...

In any event, the foregoing tension—elsewhere described as a “predicament” and a “catch22”—is sufficient to establish that the control provision “dictates” a departure from the common law vicarious liability standard, ... Accordingly, we conclude that the “right and ability to control” infringing activity

under § 512(c)(1)(B) “requires something more than the ability to remove or block access to materials posted on a service provider’s website.” ... The remaining—and more difficult—question is how to define the “something more” that is required.

To date, only one court has found that a service provider had the right and ability to control infringing activity under § 512(c)(1)(B). In *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F.Supp.2d 1146 (C.D.Cal.2002), the court found control where the service provider instituted a monitoring program by which user websites received “detailed instructions regard[ing] issues of layout, appearance, and content.” ... The service provider also forbade certain types of content and refused access to users who failed to comply with its instructions. ... Similarly, inducement of copyright infringement under *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005), which “premises liability on purposeful, culpable expression and conduct,” ... might also rise to the level of control under § 512(c)(1)(B). Both of these examples involve a service provider exerting substantial influence on the activities of users, without necessarily—or even frequently—acquiring knowledge of specific infringing activity.

In light of our holding that § 512(c)(1)(B) does not include a specific knowledge requirement, we think it prudent to remand to the District Court to consider in the first instance whether the plaintiffs have adduced sufficient evidence to allow a reasonable jury to conclude that YouTube had the right and ability to control the infringing activity and received a financial benefit directly attributable to that activity.

C. “By Reason of” Storage: § 512(c)(1)

The § 512(c) safe harbor is only available when the infringement occurs “by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider.” ... In this case, the District Court held that YouTube’s software functions fell within the safe harbor for infringements that occur “by reason of” user storage. ... For the reasons that follow, we affirm that holding with respect to three of the challenged software functions—the conversion (or “transcoding”) of videos into a standard display format, the playback of videos on “watch” pages, and the “related videos” function. We remand for further fact-finding with respect to a fourth software function, involving the third-party syndication of videos uploaded to YouTube.

As a preliminary matter, we note that “the structure and language of OCILLA indicate that service providers seeking safe harbor under [§] 512(c) are not limited to merely storing material.” ... The structure of the statute distinguishes between so-called “conduit only” functions under § 512(a) and the functions addressed by § 512(c) and the other subsections. ... Most notably, OCILLA contains two definitions of “service provider.” ... The narrower definition, which applies only to service providers falling under § 512(a), is limited to entities that “offer[] 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.” ... No such limitation appears in the broader definition, which applies to service providers—including YouTube—falling under § 512(c). Under the broader definition, “the term ‘service provider’ means a provider of online services or network access, or the operator of facilities therefor, and includes an entity described in subparagraph (A).” ... In the absence of a parallel limitation on the ability of a service provider to modify user-submitted material, we conclude that § 512(c) “is clearly meant to cover more than mere electronic storage lockers.” ...

The relevant case law makes clear that the § 512(c) safe harbor extends to software functions performed “for the purpose of facilitating access to user-stored material.” ... Two of the software functions challenged here—transcoding and playback—were expressly considered by our sister Circuit in *Shelter Capital*, which held that liability arising from these functions occurred “by reason of the storage at the direction of a user.” ... Transcoding involves “[m]aking copies of a video in a different

encoding scheme” in order to render the video “viewable over the Internet to most users.” ... The playback process involves “deliver[ing] copies of YouTube videos to a user’s browser cache” in response to a user request. ... The District Court correctly found that to exclude these automated functions from the safe harbor would eviscerate the protection afforded to service providers by § 512(c). ...

A similar analysis applies to the “related videos” function, by which a YouTube computer algorithm identifies and displays “thumbnails” of clips that are “related” to the video selected by the user. The plaintiffs claim that this practice constitutes content promotion, not “access” to stored content, and therefore falls beyond the scope of the safe harbor. ... But even if the plaintiffs are correct that § 512(c) incorporates a principle of proximate causation—a question we need not resolve here—the indexing and display of related videos retain a sufficient causal link to the prior storage of those videos. The record makes clear that the related videos algorithm “is fully automated and operates solely in response to user input without the active involvement of YouTube employees.” ... Furthermore, the related videos function serves to help YouTube users locate and gain access to material stored at the direction of other users. Because the algorithm “is closely related to, and follows from, the storage itself,” and is “narrowly directed toward providing access to material stored at the direction of users,” ... we conclude that the related videos function is also protected by the § 512(c) safe harbor.

The final software function at issue here—third-party syndication—is the closest case. In or around March 2007, YouTube transcoded a select number of videos into a format compatible with mobile devices and “syndicated” or licensed the videos to Verizon Wireless and other companies. The plaintiffs argue—with some force—that business transactions do not occur at the “direction of a user” within the meaning of § 512(c)(1) when they involve the manual selection of copyrighted material for licensing to a third party. The parties do not dispute, however, that none of the clips-in-suit were among the approximately 2,000 videos provided to Verizon Wireless. In order to avoid rendering an advisory opinion on the outer boundaries of the storage provision, we remand for fact-finding on the question of whether any of the clips-in-suit were in fact syndicated to any other third party.

D. Other Arguments

1. Repeat Infringer Policy

The class plaintiffs briefly argue that YouTube failed to comply with the requirements of § 512(i), which conditions safe harbor eligibility on the service provider having “adopted and reasonably implemented ... a policy that provides for the termination in appropriate circumstances of subscribers and account holders of the service provider’s system or network who are repeat infringers.” ... Specifically, the class plaintiffs allege that YouTube “deliberately set up its identification tools to try to avoid identifying infringements of class plaintiffs’ works.” This allegation rests primarily on the assertion that YouTube permitted only designated “partners” to gain access to content identification tools by which YouTube would conduct network searches and identify infringing material.

Because the class plaintiffs challenge YouTube’s deployment of search technology, we must consider their § 512(i) argument in conjunction with § 512(m). [T]he safe harbor expressly disclaims any affirmative monitoring requirement—except to the extent that such monitoring comprises a “standard technical measure” within the meaning of § 512(i). Refusing to accommodate or implement a “standard technical measure” exposes a service provider to liability; refusing to provide access to mechanisms by which a service provider affirmatively monitors its own network has no such result. In this case, the class plaintiffs make no argument that the content identification tools implemented by YouTube constitute “standard technical measures,” such that YouTube would be exposed to liability under § 512(i). For that reason, YouTube cannot be excluded from the safe harbor by dint of a decision to restrict access to its proprietary search mechanisms.

2. Affirmative Claims

Finally, the plaintiffs argue that the District Court erred in denying summary judgment to the plaintiffs on their claims of direct infringement, vicarious liability, and contributory liability In granting summary judgment to the defendants, the District Court held that YouTube “qualif[ied] for the protection of ... § 512(c),” and therefore denied the plaintiffs’ cross-motion for summary judgment without comment. ...

The District Court correctly determined that a finding of safe harbor application necessarily protects a defendant from all affirmative claims for monetary relief. ... For the reasons previously stated, further fact-finding is required to determine whether YouTube is ultimately entitled to safe harbor protection in this case. Accordingly, we vacate the order denying summary judgment to the plaintiffs and remand the cause without expressing a view on the merits of the plaintiffs’ affirmative claims.

Conclusion

To summarize, we hold that:

- (1) The District Court correctly held that 17 U.S.C. § 512(c)(1)(A) requires knowledge or awareness of facts or circumstances that indicate specific and identifiable instances of infringement;
- (2) However, the June 23, 2010 order granting summary judgment to YouTube is VACATED because a reasonable jury could conclude that YouTube had knowledge or awareness under § 512(c)(1)(A) at least with respect to a handful of specific clips; the cause is REMANDED for the District Court to determine whether YouTube had knowledge or awareness of any specific instances of infringement corresponding to the clips-in-suit;
- (3) The willful blindness doctrine may be applied, in appropriate circumstances, to demonstrate knowledge or awareness of specific instances of infringement under § 512(c)(1)(A); the cause is REMANDED for the *42 District Court to consider the application of the willful blindness doctrine in the first instance;
- (4) The District Court erred by requiring “item-specific” knowledge of infringement in its interpretation of the “right and ability to control” infringing activity under 17 U.S.C. § 512(c)(1)(B), and the judgment is REVERSED insofar as it rests on that erroneous construction of the statute; the cause is REMANDED for further fact-finding by the District Court on the issues of control and financial benefit;
- 5) The District Court correctly held that three of the challenged YouTube software functions—replication, playback, and the related videos feature—occur “by reason of the storage at the direction of a user” within the meaning of 17 U.S.C. § 512(c)(1), and the judgment is AFFIRMED insofar as it so held; the cause is REMANDED for further fact-finding regarding a fourth software function, involving the syndication of YouTube videos to third parties.

On remand, the District Court shall allow the parties to brief the following issues, with a view to permitting renewed motions for summary judgment as soon as practicable:

- (A) Whether, on the current record, YouTube had knowledge or awareness of any specific infringements (including any clips-in-suit not expressly noted in this opinion);
- (B) Whether, on the current record, YouTube willfully blinded itself to specific infringements;
- (C) Whether YouTube had the “right and ability to control” infringing activity within the meaning of § 512(c)(1)(B); and

(D) Whether any clips-in-suit were syndicated to a third party and, if so, whether such syndication occurred “by reason of the storage at the direction of the user” within the meaning of § 512(c)(1), so that YouTube may claim the protection of the § 512(c) safe harbor.

We leave to the sound discretion of the District Court the question of whether some additional, guided discovery is appropriate in order to resolve “(C)” (“[w]hether YouTube had ‘the right and ability to control’ infringing activity”), and “(D)” (“[w]hether any clips-in-suit were syndicated to a third party”). As noted above, for purposes of this case, the record with respect to “(A)” (“[w]hether ... YouTube had knowledge or awareness of any specific infringements”) and “(B)” (“[w]hether YouTube willfully blinded itself to specific infringements”) is now complete.

Each party shall bear its own costs.

On remand, the district court again granted summary judgment to Youtube, finding that the plaintiffs had not provided proof of defendant’s knowledge of any specific acts of infringement or that it was “willfully blind” as to infringement, and otherwise found in favor of Youtube on the issues remanded. 940 F. Supp. 110 (SDNY 2013) (Viacom withdrew an appeal, from that determination, presumably because the parties settled the matter.) .

§5.4, B: Note: Statute of Limitations

Page 715 (insert before final paragraph of the Note):

In *Petrella v. Metro-Goldwyn-Mayer*, 134 S.Ct. 1662 (2014), the Supreme Court noted that, with respect to continuing acts of infringement, “each infringing act starts a new limitations period” and damages in any action will be limited to those flowing from infringement only within the three years preceding suit. The Court went on to hold that where there has been such continuing conduct, notwithstanding the plaintiff’s delay in bringing suit, the defense of laches (unreasonable prejudicial delay in commencing suit) may not be used to preclude claims for damages (as opposed to injunctive relief) for infringement to the extent brought within the statutory period (“courts are not at liberty to jettison Congress’ judgment on the timeliness of suit”).

§6.2, B: Injunctive Relief

Page 767 (insert before first full paragraph):

In *eBay, Inc. v. MercExchange*, 547 U.S. 388 (2006), the Supreme Court clearly rejected a categorical rule favoring injunctive relief in patent infringement cases. In 2010, the Second Circuit held, as described below, that the eBay reasoning applied equally to the copyright context and to both preliminary and final injunctions.

Salinger v. Colting

United States Court of Appeals, Second Circuit, 2010
607 F.3d 68

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David E. Kendall, Thomas G. Hentoff, Kannon K. Shanmugam, Hannah M. Stott-Bumsted, Scott K. Dasovich, for Amicus Curiae Motion Picture Association of America, Inc. in support of Plaintiffs-Appellees. Anthony T. Falzone, Julie A. Ahrens, Sarah H. Pearson, Rebecca Tushnet, Jennifer M. Urban,, for Amici Curiae American Library Association, Association of Research Libraries, Association of College and Research Libraries, The Organization for Transformative Works and the Right to Write Fund in support of Defendants-Appellants.

George Freeman, Itai Maytal, Barbara W. Wall, Karen Flax, for Amici Curiae The New York Times Company, Gannett Co., Inc., and Tribune Company in support of Defendants-Appellants.

Deepak Gupta, Gregory A. Beck, Dan Hunter, for Amicus Curiae Public Citizen, Inc.

CALABRESI, J.: Defendants-Appellants Fredrik Colting, Windupbird Publishing Ltd., Nicotext A.B., and ABP, Inc. appeal from an order of the United States District Court for the Southern District of New York (Deborah A. Batts, Judge) granting Plaintiff-Appellee J.D. Salinger's motion for a preliminary injunction. The District Court's judgment is Vacated and Remanded.

Background

I

Salinger published *The Catcher in the Rye* (hereinafter "Catcher") in 1951. *Catcher* is a coming-of-age story about a disaffected sixteen-year-old boy, Holden Caulfield, who after being expelled from prep school wanders around New York City for several days before returning home. The story is told from Holden's perspective and in his "own strange, wonderful, language." Nash Burger, *Books of the Times*, N.Y. Times, July 16, 1951. Holden's adventures highlight the contrast between his cynical portrait of a world full of "phonies" and "crooks" and his love of family, particularly his younger sister Phoebe and his deceased younger brother Allie, along with his developing romantic interest in a childhood friend, Jane Gallagher. While his affection for these individuals pushes him throughout the novel toward human contact, his disillusionment with humanity inclines him toward removing himself from society and living out his days as a recluse. He ultimately abandons his decision to live as recluse when Phoebe insists on accompanying him on his self-imposed exile. *Catcher* was an instant success. It was on the New York Times best-seller list for over seven months and sold more than one million copies in its first ten years. ... To date it has sold over 35 million copies, ... influenced dozens of literary works, and been the subject of "literally reams of criticism and comment," ... Literary critic Louis Menand has identified *Catcher* "rewrites" as a "literary genre all its own."¹¹ Holden at Fifty: "The *Catcher in the Rye*" and What It Spawned, *The New Yorker*, Oct. 1, 2001. The Holden character in particular has become a cultural icon of "adolescent alienation and rebellion," ... a "moral genius" "who refuses to be socialized." ...

Inseparable from the *Catcher* mystique is the lifestyle of its author, Salinger. Shortly after publishing *Catcher*, Salinger did what Holden did not do: he removed himself from society. Salinger has not published since 1965 and has never authorized any new narrative involving Holden or any work derivative of *Catcher*. ... Other than a 1949 film adaptation of one of his early short stories, Salinger has never permitted, and has explicitly instructed his lawyers not to allow, adaptations of his works. ... He has, however, remained in the public spotlight through a series of legal actions to protect his intellectual property. ... Salinger has registered and duly renewed his copyright in *Catcher* with the U.S. Copyright Office.

II

Defendant-Appellant Fredrik Colting wrote *60 Years Later: Coming Through the Rye* (hereinafter "60 Years Later") under the pen name "John David California." Colting published *60 Years Later* with his own publishing company, Defendant-Appellant Windupbird Publishing, Ltd., in England on May 9, 2009. Copies were originally scheduled to be available in the United States on September 15, 2009. ... Colting did not seek Salinger's permission to publish *60 Years Later*. ... *60 Years Later* tells the story of a 76-year-old Holden Caulfield, referred to as "Mr. C," in a world that

¹¹ Menand includes among *Catcher* "rewrites" Sylvia Plath's *The Bell Jar* (1963), Hunter S. Thompson's *Fear and Loathing in Las Vegas* (1971), Jay McInerney's *Bright Lights, Big City* (1984), and Dave Eggers's *A Heartbreaking Work of Staggering Genius* (2000).

includes Mr. C's 90-year-old author, a "fictionalized Salinger."⁴ The novel's premise is that Salinger has been haunted by his creation and now wishes to bring him back to life in order to kill him. Unsurprisingly, this task is easier said than done. As the story progresses, Mr. C becomes increasingly self-aware and able to act in ways contrary to the will of Salinger. After a series of misadventures, Mr. C travels to Cornish, New Hampshire, where he meets Salinger in his home. Salinger finds he is unable to kill Mr. C and instead decides to set him free. The novel concludes with Mr. C reuniting with his younger sister, Phoebe, and an estranged son, Daniel.

In bringing this suit, Salinger underscores the extensive similarities between *60 Years Later* and *Catcher*. First, Mr. C is Holden Caulfield. Mr. C narrates like Holden, references events that happened to Holden, and shares many of Holden's notable eccentricities. ... Also, Mr. C's adventures parallel those of Holden. Both characters leave an institution, wander around New York City for several days, reconnect with old friends, find happiness with Phoebe, and ultimately return to a different institution. Finally, within these broader structural similarities, the novels contain similar scenes, such as a climactic carousel scene. ...

Salinger also cites Defendants' efforts to market *60 Years Later* as a sequel to *Catcher*. The back cover of the United Kingdom edition describes the novel as "a marvelous sequel to one of our most beloved classics." ... In a 2009 interview in the *Guardian*, Colting describes *60 Years Later* as "[j]ust like the first novel.... He's still Holden Caulfield, and has a particular view on things." ...

Colting responds that *60 Years Later* is not, and was never intended to be, a sequel to *Catcher*. Rather, Colting claims that it is a "critical examination of the character Holden and the way he is portrayed in [*Catcher*], the relationship between Salinger and his iconic creation, and the life of a particular author as he grows old but remains imprisoned by the literary character he created." ... In support of this claim, Colting first emphasizes that a main character in *60 Years Later* – Salinger himself, who narrates portions of the novel – does not appear in *Catcher*. Next, he explains how the Mr. C character evolves from a two-dimensional and absurd version of a sixteen-year-old Holden into a real person with a rich life completely apart from *Catcher*. Finally, he relies upon the declarations of two literary experts. Martha Woodmansee, a professor of English and law at Case Western Reserve University, described *60 Years Later* as a "work of meta-commentary" that "pursues critical reflection on J.D. Salinger and his masterpiece [*Catcher*] just as do the articles that literary scholars conventionally write and publish in scholarly journals, but it casts its commentary in an innovative 'post modern' form, specifically, that of a novel." ... Robert Spoo, a professor at the University of Tulsa College of Law, found *60 Years Later* to be a "sustained commentary on and critique of *Catcher*, revisiting and analyzing the attitudes and assumptions of the teenaged Holden Caulfield. In this respect, [*60 Years Later*] is similar to a work of literary criticism." ...

III

On July 1, 2009, the District Court granted Salinger's motion for a preliminary injunction, barring Defendants from "manufacturing, publishing, distributing, shipping, advertising, promoting, selling, or otherwise disseminating any copy of [*60 Years Later*], or any portion thereof, in or to the United States." ... In doing so, it found that (1) Salinger has a valid copyright in *Catcher* and the Holden Caulfield character, (2) absent a successful fair use defense, Defendants have infringed Salinger's copyright in both *Catcher* and the Holden Caulfield character, (3) Defendants' fair use defense is likely to fail, and (4) a preliminary injunction should issue. The District Court disposed of the first two issues in its decision's introduction. Defendants did not contest that Salinger has a valid copyright

⁴ Appellants concede that Mr. C is Holden Caulfield and that the unnamed author living in Cornish, New Hampshire is a "fictionalized Salinger." ...

in *Catcher*. And regarding the Holden character, the Court stated that the character is “sufficiently delineated so that a claim for infringement will lie.” ...The Court elaborated on this finding in a June 17, 2009 hearing:

Holden Caulfield is quite delineated by word. It is a portrait by words. It is something that is obviously seen to be of value since the effort is made [by defendants] to recall everything that the character in the book does.... It is difficult, in fact, to separate Holden Caulfield from the book.

... Having found a valid copyright in both *Catcher* and the Holden character, the Court concluded that “there is substantial similarity between *Catcher* and [60 Years Later], as well as between the character Holden Caulfield from *Catcher*, and the character Mr. C from [60 Years Later], such that it was an unauthorized infringement of Plaintiff’s copyright.” ...

The District Court next concluded that Defendants’ fair use defense is likely to fail and that therefore Salinger has established a *prima facie* case of copyright infringement. In its consideration of the four statutory factors, the Court found that not one supports Defendants’ claim of fair use. ...

[The Court summarizes the District Court’s fair use analysis.]

Having made this determination, the District Court turned to whether a preliminary injunction should issue. According to the Court:

Under Rule 65, to obtain a preliminary injunction a party must demonstrate: (1) that it will be irreparably harmed if an injunction is not granted, and (2) either (a) a likelihood of success on the merits or (b) sufficiently serious questions going to the merits to make them a fair ground for litigation, and a balance of hardships tipping decidedly in its favor.

... Given its findings, the Court deemed the only remaining question to be whether Salinger had shown that he would be irreparably harmed if an injunction was not granted. Because Salinger had established a *prima facie* case of copyright infringement, and in light of how the District Court, understandably, viewed this Court’s precedents, the District Court presumed irreparable harm without discussion. ... (citing *ABKCO Music, Inc. v. Stellar Records, Inc.*, 96 F.3d 60, 66 (2d Cir.1996)). In a footnote, the Court stated:

Although Defendants contend that *eBay, Inc. v. MercExchange*, 547 U.S. 388, 126 S.Ct. 1837, (2006), undermines the validity of this presumption, that case dealt only with the presumption of irreparable harm in the patent law context, and thus is not controlling in the absence of Second Circuit precedent applying it in the copyright context.

DISCUSSION

We hold that, although the District Court applied our Circuit’s longstanding standard for preliminary injunctions in copyright cases, our Circuit’s standard is inconsistent with the “test historically employed by courts of equity” and has, therefore, been abrogated by *eBay, Inc. v. MercExchange, L.L.C.*...

I

The Copyright Act of 1976 authorizes courts to “grant temporary and final injunctions on such terms as [they] may deem reasonable to prevent or restrain infringement of a copyright.” 17 U.S.C. § 502(a). And, as the District Court stated, this Court has long issued preliminary injunctions in copyright cases upon a finding of (a) irreparable harm and (b) either (1) likelihood of success on the merits or (2) sufficiently serious questions going to the merits to make them a fair ground for

litigation and a balance of hardships tipping decidedly toward the party requesting the preliminary relief. ...⁵

Thus, once a plaintiff establishes a likelihood of success on the merits, the only additional requirement is a showing that the plaintiff will be irreparably harmed if the preliminary injunction does not issue. And traditionally, this Court has presumed that a plaintiff likely to prevail on the merits of a copyright claim is also likely to suffer irreparable harm if an injunction does not issue. ...

This Court has applied this presumption in several ways. Some decisions have interpreted the presumption to mean that a plaintiff likely to prevail on the merits does not need to make a detailed showing of irreparable harm. ... Other cases have discussed the presumption as though it applies automatically and is irrebuttable. ... A few decisions, by contrast, have found the presumption rebuttable where the plaintiff delayed in bringing the action seeking an injunction. ...

Under any of these articulations, however, this Court has nearly always issued injunctions in copyright cases as a matter of course upon a finding of likelihood of success on the merits. ...

II

Defendants do not claim that the District Court failed to apply this Circuit's longstanding preliminary injunction standard. Rather, they argue both that this standard is an unconstitutional prior restraint on speech and that it is in conflict with the Supreme Court's decision in *eBay, Inc. v. MercExchange, L.L.C.* ... We agree that eBay abrogated parts of this Court's preliminary injunction standard in copyright cases, and accordingly, this case must be remanded to the District Court to reevaluate Salinger's preliminary injunction motion. In light of that holding, we need not decide whether the preliminary injunction issued by the District Court constituted an unconstitutional prior restraint on speech. eBay involved the propriety of a permanent injunction after a finding of patent infringement. The United States District Court for the Eastern District of Virginia had ostensibly applied the traditional four-factor test for determining whether a permanent injunction should issue ...

... In its application of this test, however, the district court "appeared to adopt certain expansive principles suggesting that injunctive relief could not issue in a broad swath of cases." *eBay*, 547 U.S. at 393, 126 S.Ct. 1837. Specifically, the district court found that "the evidence of the plaintiff's willingness to license its patents, its lack of commercial activity in practicing the patents, and its comments to the media as to its intent with respect to enforcement of its patent rights, are sufficient to rebut the presumption that it will suffer irreparable harm if an injunction does not issue." ... The Federal Circuit reversed on appeal, applying a "general rule ... that a permanent injunction will issue once infringement and validity have been adjudged." ...

Writing for a unanimous Court, Justice Thomas held that neither the district court nor the Federal Circuit correctly applied the equitable factors:

According to well-established principles of equity, a plaintiff seeking a permanent injunction must satisfy a four-factor test before a court may grant such relief. A plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.

⁵ The overwhelming majority of decisions addressing injunction motions have focused solely on whether the plaintiff has shown a likelihood of success on the merits and irreparable harm, rather than on balancing the hardships.

...

... Although the courts below had articulated the correct standard, they had both, albeit in different ways, applied “broad classifications” that were inconsistent with traditional equitable principles. ...

This Court has not directly addressed the scope of eBay.⁶ And district courts in our Circuit have split on eBay’s reach. ...

We hold today that eBay applies with equal force (a) to preliminary injunctions (b) that are issued for alleged copyright infringement. First, nothing in the text or the logic of eBay suggests that its rule is limited to patent cases. On the contrary, eBay strongly indicates that the traditional principles of equity it employed are the presumptive standard for injunctions in any context.⁷ Significantly, after laying out the four-factor test quoted above, eBay cites two cases: *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 311-13, 102 S.Ct. 1798 (1982), which involved a permanent injunction after a finding that the defendant violated the Federal Water Pollution Control Act, and *Amoco Production Co. v. Village of Gambell*, 480 U.S. 531, 542, 107 S.Ct. 1396 (1987), which involved a preliminary injunction in which the plaintiff alleged that the defendant was violating § 810 of the Alaska National Interest Lands Conservation Act The Court then looked to whether the logic of these cases should apply in the patent context. Reasoning that “a major departure from the long tradition of equity practice should not be lightly implied,” ... the Court concluded that “[t]hese familiar principles apply with equal force to disputes arising under the Patent Act,” ...

Moreover, the Court expressly relied upon copyright cases in reaching its conclusion. In response to the Federal Circuit’s reasoning that the Patent Act’s right to exclude justifies the preference for injunctive relief, the Court stated that “the creation of a right is distinct from the provision of remedies for violations of that right.” ... In support of this distinction, it noted that “[l]ike a patent owner, a copyright holder possesses the right to exclude others from using his property.” ... It further noted that “[l]ike the Patent Act, the Copyright Act provides that courts ‘may’ grant injunctive relief ‘on such terms as it may deem reasonable to prevent or restrain infringement of copyright.’ ” ... Because of these similarities, the Court emphasized that it “has consistently rejected invitations to replace traditional equitable considerations with a rule that an injunction automatically follows a determination that a copyright has been infringed.” ... Whatever the underlying issues and particular circumstances of the cases cited by the Court in eBay, it seems clear that the Supreme Court did not view patent and copyright injunctions as different in kind, or as requiring different standards.

Nor does eBay, as reinforced by the Supreme Court’s very recent decision in *Winter v. Natural Resources Defense Council*, 129 S.Ct. 365 (2008), permit an easier grant of a preliminary than of a permanent injunction. First, as mentioned above, one of the two cases eBay relied upon in stating the traditional equitable test involved a preliminary injunction. ... Second, in *Winter*, the Supreme Court

⁶ In *Time Warner Cable, Inc. v. DIRECTV, Inc.*, 497 F.3d 144, 162 (2d Cir.2007), this Court applied the pre-eBay standard where the plaintiff sought a preliminary injunction claiming false advertising under the Lanham Act. But whether eBay affected that standard was neither raised by the parties nor discussed by either the district court or this Court on appeal. Accordingly, *Time Warner Cable* is not binding precedent on this issue. ... Similarly, the Federal Circuit has, without discussion, applied a pre-eBay standard in one post-eBay copyright case involving a preliminary injunction. ... By contrast, the First, Eleventh, and Fourth Circuits have applied eBay in copyright cases. ...

⁷ Indeed, although our holding here is limited to preliminary injunctions in the context of copyright cases, eBay’s central lesson is that, unless Congress intended a “major departure from the long tradition of equity practice,” a court deciding whether to issue an injunction must not adopt “categorical” or “general” rules or presume that a party has met an element of the injunction standard. ... Therefore, although today we are not called upon to extend eBay beyond the context of copyright cases, we see no reason that eBay would not apply with equal force to an injunction in any type of case.

in fact applied eBay in a case involving a preliminary injunction. [T]he Court stated: “Issuing a preliminary injunction based only on a possibility of irreparable harm is inconsistent with our characterization of injunctive relief as an extraordinary remedy that may only be awarded upon a clear showing that the plaintiff is entitled to such relief.” ... And using broad, unqualified language, the Court discussed the preliminary injunction standard as follows:

A preliminary injunction is an extraordinary remedy never awarded as of right. In each case, courts must balance the competing claims of injury and must consider the effect on each party of the granting or withholding of the requested relief. In exercising their sound discretion, courts of equity should pay particular regard for the public consequences in employing the extraordinary remedy of injunction. ...

III

This Court’s pre-eBay standard for when preliminary injunctions may issue in copyright cases is inconsistent with the principles of equity set forth in eBay. The Supreme Court’s decision in *Winter* tells us that, at minimum, we must consider whether “irreparable injury is likely in the absence of an injunction,” we must “balance the competing claims of injury,” and we must “pay particular regard for the public consequences in employing the extraordinary remedy of injunction.”⁸ ... Therefore, in light of *Winter* and eBay, we hold that a district court must undertake the following inquiry in determining whether to grant a plaintiff’s motion for a preliminary injunction in a copyright case. First, as in most other kinds of cases in our Circuit, a court may issue a preliminary injunction in a copyright case only if the plaintiff has demonstrated “either (a) a likelihood of success on the merits or (b) sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly in the [plaintiff]’s favor.” ...

Second, the court may issue the injunction only if the plaintiff has demonstrated “that he is likely to suffer irreparable injury in the absence of an injunction.” ... The court must not adopt a “categorical” or “general” rule or presume that the plaintiff will suffer irreparable harm (unless such a “departure from the long tradition of equity practice” was intended by Congress). ... Instead, the court must actually consider the injury the plaintiff will suffer if he or she loses on the preliminary injunction but ultimately prevails on the merits, paying particular attention to whether the “remedies available at law, such as monetary damages, are inadequate to compensate for that injury.” ... Third, a court must consider the balance of hardships between the plaintiff and defendant and issue the injunction only if the balance of hardships tips in the plaintiff’s favor. ... Finally, the court must ensure that the “public interest would not be disserved” by the issuance of a preliminary injunction. ...

A

The first consideration in the preliminary injunction analysis is the probability of success on the merits. In gauging this, we emphasize that courts should be particularly cognizant of the difficulty of predicting the merits of a copyright claim at a preliminary injunction hearing. ... This difficulty is compounded significantly when a defendant raises a colorable fair use defense. ...

B

Next, the court must consider whether the plaintiff will suffer irreparable harm in the absence of a preliminary injunction, and the court must assess the balance of hardships between the plaintiff and defendant. Those two items, both of which consider the harm to the parties, are related. The relevant

⁸ This Court has rarely considered the public’s interest before deciding whether an injunction should issue. Although decisions have referenced the public’s interest in passing, ... the public’s interest has not in the past been a formal factor in this Court’s standard for when to issue copyright injunctions.

harm is the harm that (a) occurs to the parties' legal⁹ interests and (b) cannot be remedied after a final adjudication, whether by damages or a permanent injunction. The plaintiff's interest is, principally, a property interest in the copyrighted material. ... But as the Supreme Court has suggested, a copyright holder might also have a First Amendment interest in not speaking. ... The defendant to a copyright suit likewise has a property interest in his or her work to the extent that work does not infringe the plaintiff's copyright. And a defendant also has a core First Amendment interest in the freedom to express him or herself, so long as that expression does not infringe the plaintiff's copyright.

But the above-identified interests are relevant only to the extent that they are not remediable after a final adjudication. Harm might be irremediable, or irreparable, for many reasons, including that a loss is difficult to replace or difficult to measure, or that it is a loss that one should not be expected to suffer. In the context of copyright infringement cases, the harm to the plaintiff's property interest has often been characterized as irreparable in light of possible market confusion. ... And courts have tended to issue injunctions in this context because "to prove the loss of sales due to infringement is ... notoriously difficult." ... Additionally, "[t]he loss of First Amendment freedoms," and hence infringement of the right not to speak, "for even minimal periods of time, unquestionably constitutes irreparable injury." *Elrod v. Burns*, 427 U.S. 347, 373, 96 S.Ct. 2673 (1976).

After *eBay*, however, courts must not simply presume irreparable harm. ... Rather, plaintiffs must show that, on the facts of their case, the failure to issue an injunction would actually cause irreparable harm. This is not to say that most copyright plaintiffs who have shown a likelihood of success on the merits would not be irreparably harmed absent preliminary injunctive relief. As an empirical matter, that may well be the case, and the historical tendency to issue preliminary injunctions readily in copyright cases may reflect just that. ... As Chief Justice Roberts noted, concurring in *eBay*:

From at least the early 19th century, courts have granted injunctive relief upon a finding of infringement in the vast majority of patent cases. This "long tradition of equity practice" is not surprising, given the difficulty of protecting a right to exclude through monetary remedies.... This historical practice, as the Court holds, does not entitle a patentee to [an] ... injunction or justify a general rule that such injunctions should issue.... At the same time, there is a difference between exercising equitable discretion pursuant to the established four-factor test and writing on an entirely clean slate.... When it comes to discerning and applying those standards, in this area as others, a page of history is worth a volume of logic.

... But by anchoring the injunction standard to equitable principles, albeit with one eye on historical tendencies, courts are able to keep pace with innovation in this rapidly changing technological area. Justice Kennedy, responding to Justice Roberts, made this very point as to patent injunctions in his *eBay* concurrence. Although the "lesson of the historical practice ... is most helpful and instructive when the circumstances of a case bear substantial parallels to litigation the courts have confronted before[,] ... in many instances the nature of the patent being enforced and the economic function of the patent holder present considerations quite unlike earlier cases." ... Justice Kennedy concluded that changes in the way parties use patents may now mean that "legal damages [are] sufficient to compensate for the infringement." ...

C

Finally, courts must consider the public's interest. The object of copyright law is to promote the store of knowledge available to the public. But to the extent it accomplishes this end by providing

⁹ As Judge Leval noted in *New Era Publications International, ApS v. Henry Holt & Co.*, "the justification of the copyright law is the protection of the commercial interest of the artist/author. It is not to coddle artistic vanity or to protect secrecy, but to stimulate creation by protecting its rewards." ...

individuals a financial incentive to contribute to the store of knowledge, the public's interest may well be already accounted for by the plaintiff's interest. The public's interest in free expression, however, is significant and is distinct from the parties' speech interests. ... Every injunction issued before a final adjudication on the merits risks enjoining speech protected by the First Amendment. Some uses, however, will so patently infringe another's copyright, without giving rise to an even colorable fair use defense, that the likely First Amendment value in the use is virtually nonexistent.

IV

Because the District Court considered only the first of the four factors that, under eBay and our holding today, must be considered before issuing a preliminary injunction, we vacate and remand the case. But in the interest of judicial economy, we note that there is no reason to disturb the District Court's conclusion as to the factor it did consider – namely, that Salinger is likely to succeed on the merits of his copyright infringement claim. Most of the matters relevant to Salinger's likelihood of success on the merits are either undisputed or readily established in his favor. Thus, Defendants do not contest either that Salinger owns a valid copyright in *Catcher* or that they had actual access to *Catcher*. And while they argue only that *60 Years Later* and *Catcher* are not substantially similar, that contention is manifestly meritless.¹¹ ... And for largely the same reasons as the District Court, we affirm the District Court's finding that *Catcher* and *60 Years Later* are substantially similar.

More serious is Defendants' assertion of a fair use defense. And at this preliminary stage, we agree with the District Court that Defendants will not likely be able to make out such a defense. The District Court in its discussion of fair use focused on the first statutory factor: the "purpose and character of the use." ... In doing this, the Court found that "[i]t is simply not credible for Defendant Colting to assert now that his primary purpose was to critique Salinger and his persona, while he and his agents' previous statements regarding the book discuss no such critique, and in fact reference various other purposes behind the book." ... Such a finding is not clear error. ... It may be that a court can find that the fair use factor favors a defendant even when the defendant and his work lack a transformative purpose. We need not decide that issue here, however, for when we consider the District Court's credibility finding together with all the other facts in this case, we conclude, with the District Court, that Defendants are not likely to prevail in their fair use defense.

CONCLUSION

In this preliminary injunction case, the District Court erred by not applying the equitable standard outlined by the Supreme Court in *eBay* Accordingly, we vacate and remand for further proceedings consistent with this opinion. The preliminary injunction will stay in place for ten days following the issuance of the mandate so that Appellees will have an opportunity to apply for a temporary restraining order pending the rehearing of the motion for a preliminary injunction.

The Ninth Circuit expressly followed Salinger in holding that the Supreme Court's *eBay* opinion is applicable to copyright infringement cases; injunctions are to be based upon the totality of equitable considerations rather than on any presumption of irreparable harm. *Perfect 10, Inc. v. Google, Inc.*, 653 F.3d 976 (9th Cir. 2011), cert. denied, 132 S.Ct. 1713 (2012).

¹¹ We find it unnecessary to decide whether Salinger owns a valid copyright in the character Holden Caulfield.
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§6.2, B: Injunctive Relief

Page 767 (insert before “C. Damages”):

In *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S.Ct. 1962 (2014), the Supreme Court made it clear that, whatever the role of laches in the granting of equitable relief, the defense of laches (unreasonable prejudicial delay in commencing suit) may not be used to preclude claims for damages for infringement to the extent brought within the statutory period.

§6.2, C, 1: Provable Damages and Profits

Page 776 (insert before “2. Statutory Damages”):

The Copyright Act, § 504(b), provides that “in establishing the infringer’s profits, the copyright owner is required to present proof only of the infringer’s gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profits attributable to factors other than the copyrighted work.” But such proof of “gross revenue” is not sufficient if it relates to the entirety of the infringer’s business. *MGE UPS Systems, Inc. v. GE Consumer and Industrial, Inc.*, 622 F.3d 361, 367 (5th Cir. 2010) (“a copyright holder must show more than the infringer’s total gross revenue from all of its profit streams. ... Rather, ‘gross revenue’ refers only to revenue reasonably related to the infringement” (quoting from *Bonner v. Dawson*, 404 F.3d 290 (4th Cir. 2005))).

§6.2, C, 2,a: Statutory Damages

Page 777 (insert after the first full paragraph (beginning with “Conversely, when ...”)):

In *Harper v. Maverick Recording Company*, 131 S.Ct. 590 (2010), the Supreme Court denied certiorari to review the Fifth Circuit’s affirmation of summary judgment in connection with downloading of copyrighted music files. The appellant sought to reduce statutory damages to the minimum of \$200 per song as an “innocent infringer,” because her youth and “naivete” at the time made her unaware that internet downloading was infringing. The Fifth Circuit, following the Seventh Circuit’s *BMG v. Gonzalez*, opinion, rejected the claim, holding that the “innocent infringer” defense was precluded by Section 402(d) so long as the copyright owner had included a copyright notice on a phonorecord of the work. 598 F.3d 193 (5d Cir. 2010). Dissenting from the denial of certiorari, Justice Alito wrote:

In this case, a 16-year-old was found to have infringed respondents’ copyrights by downloading digital music files. The District Court held that there were genuine issues of fact on whether she qualified as an innocent infringer, but the Court of Appeals reversed, concluding that another provision, § 402(d) foreclosed the innocent-infringer defense as a matter of law. Section 402(d) provides, with an exception not relevant here, that if a prescribed notice of copyright “appears on the published phonorecord or phonorecords to which a defendant ... had access, then no weight shall be given to ... a defendant’s interposition of a defense based on innocent infringement in mitigation of actual or statutory damages.” (Emphasis added.) The term “phonorecords” is defined as including only “material objects.”

There is a strong argument that § 402(d) does not apply in a case involving the downloading of digital music files. This provision was adopted in 1988, well before digital music files became available on the Internet. ... The theory of § 402(d) appears to be that a person who copies music from a material object bearing the prescribed copyright notice is deemed to have “reason to believe that his or her acts constituted an infringement,” § 504(c)(2). But a person who downloads a digital music file generally does not see any material object bearing a copyright notice, and accordingly there is force to the argument that § 402(d)

does not apply. In such a case, the question would simply be whether the infringer “was ... aware and had ... reason to believe,” § 504(c)(2), that the downloading was illegal.

The Court of Appeals in the present case adopted a very different interpretation of § 402(d). The court held that the innocent infringer defense was “foreclose[d] ... as a matter of law” because (1) respondents “provided proper notice on each of the published phonorecords from which the audio files were taken” before they were made available on a file-sharing network and (2) petitioner relied solely on § 504(c)(2) and did not dispute her “access” to the phonorecords under § 402(d). ... Under this interpretation, it is not necessary that the infringer actually see a material object with the copyright notice. It is enough that the infringer could have ascertained that the work was copyrighted. The Fifth Circuit did not specify what sort of inquiry a person who downloads digital music files is required to make in order to preserve the § 402(d) defense, but it may be that the court had in mind such things as research on the Internet or a visit to a local store in search of a compact disc containing the songs in question. In any event, the Court of Appeals rejected petitioner’s argument that her youth and lack of legal sophistication were relevant considerations—a conclusion that would not necessarily be correct if the determinative question were simply whether petitioner had “reason to believe” that her actions were illegal. Although “reason to believe” is an objective standard, it is by no means clear that certain objective characteristics of the infringer—such as age—may not be taken into account.

The Fifth Circuit’s decision may or may not set out a sensible rule for the post-“phonorecord” age, but it is at least questionable whether the decision correctly interprets § 402(d). Although there are now no conflicting Circuit decisions, I would grant review in this case because not many cases presenting this issue are likely to reach the Courts of Appeals. The Court has decided not to grant review at this time, but if a conflict in the Circuits develops in the future, the question presented, in my judgment, is important enough to warrant review.