

# SIGNIFICANT DEVELOPMENTS IN U.S. AND EUROPEAN COPYRIGHT LAW 2011

BEIJING

BRUSSELS

LONDON

NEW YORK

SAN DIEGO

SAN FRANCISCO

SILICON VALLEY

WASHINGTON

**COVINGTON**

COVINGTON & BURLING LLP

[WWW.COV.COM](http://WWW.COV.COM)

# SIGNIFICANT DEVELOPMENTS IN U.S. AND EUROPEAN COPYRIGHT LAW 2011

## CONTENTS

1. Ninth Circuit Finds Veoh and Other Content-Sharing Websites May Take Shelter in DMCA’s Section 512(c) Safe Harbor. ....	3
2. Court of Justice of the EU Holds That National Courts May Not Enjoin Service Providers to Monitor All Peer-to-Peer Traffic. ....	3
3. Concerns Over Opt-Out Provisions and Orphan Works Lead District Court to Reject Revised Google Books Settlement. ....	4
4. Second Circuit Holds That First Sale Doctrine Does Not Apply to Works Made Outside the United States. ....	5
5. Transformative Uses Must “Comment on” Original, District Court Rules in Fair Use Decision on Appropriation Art. ....	6
6. In Software Licensing Case, Ninth Circuit Limits Copyright Misuse Defense to Attempts to Block Competing Products.....	7
7. Second Circuit Finds That Hot News Misappropriation Claim Is Preempted by the Copyright Act.....	7
8. New York’s High Court Holds That Out-of-State Digital Piracy Necessarily Injures Copyright Holder in Its Home Jurisdiction.....	8
9. Third Circuit Finds Removal of Photographer’s Credit Line from Printed Image Violates DMCA Section 1202.....	9
10. Judgment of the Court of Justice of the EU Makes Restricting the Distribution of Content Across European Borders More Difficult.....	9
Recent Copyright and Trademark Publications by Covington Attorneys.....	11
Primary Contacts in the Copyright and Trademark Practice.....	12

## SIGNIFICANT DEVELOPMENTS IN U.S. AND EUROPEAN COPYRIGHT LAW 2011

Below are the selections of Covington's Copyright/Trademark Group for the ten most significant and interesting developments in U.S. and European copyright law during 2011.

### **1. NINTH CIRCUIT FINDS VEOH AND OTHER CONTENT-SHARING WEBSITES MAY TAKE SHELTER IN DMCA'S SECTION 512(c) SAFE HARBOR.**

---

In late December, the Ninth Circuit gave a holiday present to content-sharing websites everywhere with its much-awaited opinion in *UMG Recordings, Inc. v. Shelter Capital Partners, LLC*, \_\_\_ F.3d \_\_\_, 2011 WL 6357788 (9th Cir. 2011). The Veoh website allows users to upload and share video content. UMG and other record labels sued Veoh for direct and secondary copyright infringement. On summary judgment, the district court found, and the Ninth Circuit agreed, that Veoh was protected by the Digital Millennium Copyright Act (DMCA) "safe harbor" for service providers that store information at the direction of their users. See 17 U.S.C. § 512(c). The Ninth Circuit's opinion offered three notable holdings.

First, the court rejected UMG's argument that Veoh was ineligible for the safe harbor because its website, in automatically processing user-uploaded content and "facilitating" it for viewing, went beyond the type of passive storage service that Section 512(c) was meant to cover (as Veoh's systems altered the format for technical reasons, created multiple copies, etc.). Looking to the plain language of the statute and the legislative intent, the court held that the Section 512(c) safe harbor "encompasses the access-facilitating processes that automatically occur when a user uploads a video to Veoh."

Second, the court held that Veoh did not have the type of actual or constructive knowledge of infringement that might preclude it from taking shelter in the safe harbor. In particular, Veoh's "general knowledge that its services could be used to share infringing material" was insufficient to show actual knowledge and also was not a "red flag" sufficient to impart constructive knowledge. The court went on to find that Veoh's tagging of music videos, purchase of search keywords tied to the names of UMG artists, removal of unauthorized content that was brought to its attention, and knowledge of news articles about the availability of infringing content on Veoh were all insufficient to show Veoh had actual or constructive knowledge of specific infringement.

Finally, the court found Veoh did not have the "right and ability to control" infringing activity. Here, the court announced that the "right and ability to control" provision of the DMCA "requires control over specific infringing activity the provider knows about," rejecting UMG's contention that the DMCA was entirely coextensive with the common law vicarious liability standard announced in *A&M Records, Inc. v. Napster, Inc.* (9th Cir. 2001). A service provider's "general right" to remove material from its services was insufficient to show a right and ability to control. Because Veoh promptly removed "specific infringing material" of which it became aware, the court held that it satisfied the safe harbor requirements.

This year should bring the Second Circuit's decision in *Viacom v. YouTube*, which raises many similar safe harbor issues, and the Second Circuit may look to *Veoh* in its analysis of Section 512(c).

### **2. COURT OF JUSTICE OF THE EU HOLDS THAT NATIONAL COURTS MAY NOT ENJOIN SERVICE PROVIDERS TO MONITOR ALL PEER-TO-PEER TRAFFIC.**

---

Meanwhile, across the Atlantic, where several European nations are adopting their own regulatory mechanisms to tackle Internet piracy, the Court of Justice of the European Union

## SIGNIFICANT DEVELOPMENTS IN U.S. AND EUROPEAN COPYRIGHT LAW 2011

(CJEU) offered guidance regarding the power of national courts to award injunctive relief as part of such efforts. In a ruling that parallels the Ninth Circuit's decision in *Veoh*, the CJEU held that while national courts can enjoin Internet service providers (ISPs) to restrict access to a particular website engaged in or facilitating copyright infringement, they cannot order ISPs to filter or monitor *all* network traffic to prevent infringing peer-to-peer (P2P) transfers. Case C-70/10 *Scarlet Extended SA v Société belge des auteurs, compositeurs et éditeurs SCRL* (SABAM). As with all CJEU judgments, this decision binds all twenty-seven Member States.

In 2004, SABAM, a collective rights management society, established that users of Scarlet, a Belgian ISP, were illegally downloading and exchanging works in SABAM's catalogue via P2P protocols. SABAM sued Scarlet and sought both a declaration that Scarlet's subscribers were engaged in infringing activities and an order requiring Scarlet to block all P2P traffic that could contain illegal musical or audio-visual works. The Brussels Court of First Instance granted both remedies. Scarlet appealed, arguing that the blocking order would violate Article 15 of the E-Commerce Directive (Directive 2000/31/EC), which provides that ISPs have no duty to monitor activities on their networks.

The CJEU ruled that rightsholders may apply for an injunction when third parties use an intermediary's services to infringe copyrights but such injunctions must respect Article 15. The Belgian court's injunction would have required Scarlet to: (1) identify all P2P traffic on its network; (2) identify all potentially copyrighted files transferred over P2P; (3) determine which files were being transferred unlawfully; and (4) block the unlawful content. Together, the CJEU said, these obligations would amount to a general monitoring obligation of exactly the kind that Article 15 prohibits.

The decision emphasized the important balance between the property rights of rightsholders under the EU's Charter of Fundamental Rights and the rights of ISPs and their customers. The court found "nothing whatsoever in the wording of [the Charter] or in the Court's case-law to suggest that that right [to protection of intellectual property] is inviolable and must for that reason be absolutely protected." To require Scarlet to install a complicated, costly, and permanent computer system at its own expense would result in "a serious infringement" of the company's right to conduct its business, as well as its customers' rights to protection of personal data and freedom to receive and impart information. The court noted that customers' rights were especially at risk, both because a court-imposed system might fail to distinguish between lawful and unlawful content, therefore blocking lawful communications, and because the system would access customers' IP addresses, which the court confirmed qualify as "personal data."

### 3. CONCERNS OVER OPT-OUT PROVISIONS AND ORPHAN WORKS LEAD DISTRICT COURT TO REJECT REVISED GOOGLE BOOKS SETTLEMENT.

---

For more than six years, Google has been locked in class-action litigation with authors and publishers over its book-scanning project, Google Book Search. The search service is offered to users as an online "digital library" of millions of books, which Google scanned without the copyright holders' prior permission. An end to the case appeared to be in sight when the parties submitted an Amended Settlement Agreement (ASA) in late 2009. After a lengthy review process, however, Judge Denny Chin determined that the ASA was not "fair, adequate, and reasonable," thus requiring the parties either to revise the agreement further or proceed to trial. *Authors Guild v. Google Inc.*, 770 F. Supp. 2d 666 (S.D.N.Y. 2011).

## SIGNIFICANT DEVELOPMENTS IN U.S. AND EUROPEAN COPYRIGHT LAW 2011

The ASA's critical flaw, according to the court, was that it exceeded the scope of the claims in the case. In addition to releasing Google from liability for the past acts of scanning books and making available "snippets" as search results, the ASA established a complex and far-reaching mechanism for administering the rights to digitize and display books implicated under the settlement. One entity created by the ASA, the Book Rights Registry, would distribute to rightsholders the initial settlement payments as well as future revenues. Another entity, the Unclaimed Works Fiduciary, would represent the interests of owners of unclaimed books, also known as orphan works. Although Google would have to secure permission to display in-print books in their entirety, most provisions of the ASA put the onus on rightsholders to opt out.

The court explained that the question of how to administer orphan works is "a matter more suited for Congress," not one to be decided in litigation between private parties. Further, whereas the original complaint addressed only Google's indexing and searching tools, the ASA would award Google the additional and unrelated right to make works available for purchase online. The court also questioned whether the interests of the named plaintiffs were in tension with the interests of other class members, particularly the owners of orphan works, and whether the opt-out provisions violated the Copyright Act's prohibition against involuntary transfers of rights. See 17 U.S.C. § 201(e). Finally, the ASA would present antitrust problems by giving Google "a de facto monopoly" over orphan works and could violate international law as well, such as the Berne Convention and the Agreement on Trade-Related Aspects of Intellectual Property Rights.

The case is currently scheduled for trial in July 2012, although reports indicate that the parties are actively working toward a revised settlement.

### 4. SECOND CIRCUIT HOLDS THAT FIRST SALE DOCTRINE DOES NOT APPLY TO WORKS MADE OUTSIDE THE UNITED STATES.

---

Under the Copyright Act's first sale doctrine, "the owner of a particular copy . . . lawfully made under this title" may sell that copy without the permission of the copyright holder. 17 U.S.C. § 109(a). An important question is whether the first sale doctrine applies to goods made abroad and imported into the United States. As discussed in last year's Top Ten, this issue was before the Supreme Court in *Costco Wholesale Corp. v. Omega, S.A.*, in which the Court, by a deadlocked vote of 4-4, affirmed the Ninth Circuit's ruling that Section 109(a) does not apply unless the foreign-manufactured goods were previously imported and sold in the U.S. with the copyright holder's permission.

The Second Circuit confronted similar issues in a series of cases in 2011. First, in *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210 (2d Cir. 2011), the Second Circuit held that the first sale doctrine does not apply to works produced outside of the United States. Kirtsaeng, a Thai student attending college in the United States, received shipments from family and friends of foreign-edition textbooks printed abroad by a subsidiary of Wiley, the copyright holder. Kirtsaeng sold these books on commercial websites, such as eBay, and retained the profits from the sales. Wiley sued Kirtsaeng for copyright infringement.

Noting the result in the Supreme Court's *Costco* decision, the Second Circuit adopted the interpretation it believed most consistent with Section 602(a)(1) of the Copyright Act—which prohibits the importation into the United States of copies of copyrighted works acquired abroad without the authorization of the copyright holder—and the 1998 Supreme Court decision in *Quality King v. L'Anza*, which addressed the interplay between Sections 109(a) and 602(a)(1). The Second Circuit held that "the phrase 'lawfully made under this title' in Section 109(a)

## SIGNIFICANT DEVELOPMENTS IN U.S. AND EUROPEAN COPYRIGHT LAW 2011

refers specifically and exclusively to copies that are made in territories in which the Copyright Act is law, and not to foreign manufactured works.”

A month later, the Second Circuit cited *Kirtsaeng* in a summary order affirming a district court decision that the defendants’ resale in the U.S. of textbooks manufactured abroad infringed the plaintiffs’ U.S. copyrights in the domestic versions of those textbooks. *Pearson Education, Inc. v. Yadav*, 2011 WL 4348010 (2d Cir. Sept. 19, 2011). The Second Circuit reached the same conclusion in *Pearson Education, Inc. v. Liu*, No. 10-894-mv (2d Cir. Nov. 18, 2011), also citing its earlier decision in *Kirtsaeng*.

Petitions for writ of certiorari have been filed with the Supreme Court in both the *Kirtsaeng* and *Liu* cases.

### 5. TRANSFORMATIVE USES MUST “COMMENT ON” ORIGINAL, DISTRICT COURT RULES IN FAIR USE DECISION ON APPROPRIATION ART.

---

The Supreme Court’s 1994 decision in *Campbell v. Acuff-Rose Music, Inc.* established that a critical issue in the fair use analysis is whether the defendant’s work somehow “transforms” the original. In a closely watched case in the Southern District of New York, *Cariou v. Prince*, 784 F. Supp. 2d 337 (S.D.N.Y. 2011), the district court adopted a particularly narrow approach to what qualifies as a transformative use, holding that the secondary work must “in some way comment on, relate to the historical context of, or critically refer back to the original works” to be transformative.

Professional photographer Patrick Cariou published a book titled *Yes, Rasta* featuring a series of portraits of Rastafarians living in Jamaica. Well-known “appropriation artist” Richard Prince then used numerous images from *Yes, Rasta*—many of them cropped, painted over, combined into collages, or otherwise altered—to produce a series of paintings titled *Canal Zone*. Displeased, Cariou sued. Deciding the case on summary judgment, the court found that all four factors under 17 U.S.C. § 107 weighed against a finding of fair use. Under the first factor, the court rejected the proposition that using copyrighted materials as “raw ingredients” to create a new work is *per se* fair use; rather, because Prince did not intend to comment on Cariou’s works, the transformative content of the *Canal Zone* paintings was “minimal at best.”

However, the requirement that transformative works “comment on” the original would appear to be in tension with prior decisions holding that, under certain circumstances, a use may be fair even if it does not directly target the original work. The *Cariou* opinion continues a recent trend of deciding fair use based in large part on the defendant’s conduct and intent (including whether the defendant acted in alleged “bad faith” by not first seeking permission), rather than confining the analysis to a comparison of the two works. The decision is also notable for the scope of relief granted, including an order that Prince hand over the paintings and all other infringing copies of the photographs “for impounding, destruction, or other disposition,” to be determined by Cariou. In addition, the court found that Prince’s gallery was secondarily liable for the infringement—and was required to notify collectors (some of whom had paid nearly a million dollars for Prince’s works) that they could not sell the works or display them outside their homes.

The decision is on appeal to the Second Circuit, and numerous prominent art museums and foundations (and Google, as well) have filed amicus briefs asking the Court of Appeal to second guess many of the district court’s conclusions.

### 6. IN SOFTWARE LICENSING CASE, NINTH CIRCUIT LIMITS COPYRIGHT MISUSE DEFENSE TO ATTEMPTS TO BLOCK COMPETING PRODUCTS.

---

Copyright misuse, an affirmative defense to infringement, prohibits a copyright holder from using its legal monopoly to control areas that fall outside that monopoly (such as through tying arrangements, overly restrictive licenses, and other anticompetitive behavior). While closely related to the doctrine of patent misuse, copyright misuse is a more recent, and less well defined, development in the case law. In *Apple Inc. v. Psystar Corp.*, 658 F.3d 1150 (9th Cir. 2011), the Ninth Circuit went a long way toward clarifying the extent to which copyright misuse applies in the context of computer software licenses. The key consideration, the court indicated, is whether the copyright holder has tried to “stifle competition” by preventing others from using or building rival products; if not, the defense will likely be unavailable.

Apple offers its Mac OS X operating system exclusively under a software license agreement (“SLA”) that prohibits licensees from using the software on non-Apple computers. Psystar manufactured and sold computers running Mac OS X. When Apple sued for copyright infringement, Psystar responded that the SLA impermissibly extended Apple’s copyright and thus constituted misuse. The Ninth Circuit affirmed the district court’s grant of summary judgment to Apple in rejecting Psystar’s copyright misuse defense. Applying the *Vernor v. Autodesk, Inc.* test discussed in last year’s Top Ten, the court found that the SLA was a license and not a sale, meaning that Apple could restrict licensees’ use of Mac OS X without running afoul of the first sale doctrine. The court then observed that it had applied copyright misuse “sparingly” in the past, upholding the defense only in one case where the copyright holder had used its license to stop licensees from using *all* competing products. By contrast, Apple’s SLA did not prevent Psystar from developing its own software and hardware, nor from using “non-Apple components” with Apple computers, so the court found no misuse of copyright.

The decision signals a sharply limited role for copyright misuse in the Ninth Circuit. The contours of the doctrine could be further refined if and when watchmaker Omega appeals the Eastern District of California’s recent finding that Omega misused its copyright in the “Omega Globe Design” to control the importation of the watches on which the design was engraved. That case, *Omega S.A. v. Costco Wholesale Corp.*, No. CV 04-05443 (E.D. Cal. Nov. 9, 2011), is on remand following the Supreme Court’s deadlocked 4-4 vote on the application of the first sale doctrine to “gray market” goods, also discussed in last year’s Top Ten.

### 7. SECOND CIRCUIT FINDS THAT HOT NEWS MISAPPROPRIATION CLAIM IS PREEMPTED BY THE COPYRIGHT ACT.

---

Seeking to calm unsettled waters, the Second Circuit’s decision in *Barclays Capital Inc. v. Theflyonthewall.com, Inc.*, 650 F.3d 876 (2d Cir. 2011), held New York’s state law tort of “hot news” misappropriation was preempted by the federal Copyright Act. Barclays and other investment banks produce daily reports that include recommendations on particular stocks, and give clients early access to the recommendations before making them public. Theflyonthewall.com (“Fly”) aggregated those recommendations and distributed them to its own subscribers, often before they were publicly available. The banks brought suit for copyright infringement and hot news appropriation, a claim that recognizes “hot news” as a type of protectable quasi-property. After a bench trial, the district court found for the banks on both counts. On appeal, Fly conceded its copyright liability, but sought review of its liability under the misappropriation theory.

## SIGNIFICANT DEVELOPMENTS IN U.S. AND EUROPEAN COPYRIGHT LAW 2011

The Second Circuit acknowledged that its 1997 decision in *NBA v. Motorola* had said that some types of hot news misappropriation claims were not preempted by the Copyright Act. However, the *Barclays* majority decided that the test announced in *NBA* was not a binding holding but rather dicta, and thus did not control the present controversy. The court conducted its own preemption analysis, deciding first that the two elements provided for in the Copyright Act's preemption provision (17 U.S.C. § 301) were satisfied: (1) the bank's reports contained copyrightable material; and (2) the misappropriation claim targeted conduct (Fly's copying and distribution of protected material) that implicated exclusive rights already protected by the Copyright Act.

The court then analyzed whether the misappropriation claim contained an "extra element" that might render it qualitatively different from a copyright infringement claim and thus defeat preemption. The court remarked that, while *NBA* no longer controlled, that case had largely turned on whether the defendant was "free-riding" on the plaintiff's efforts, and that, while true free-riding might constitute an "extra element," Fly was not free-riding. The court reasoned that the recommendations were not something the banks acquired (unlike the "news" at issue in earlier hot news cases), but rather something they created. Furthermore, Fly did not pass off the recommendations as its own, but accurately attributed them to the bank issuing them. Finally, whereas in earlier hot news cases the defendant had misappropriated content "in order to divert a material portion of the profit from those who have earned it to those who have not," here the court found it questionable whether Fly's activities had any significant effect on the profits the bank derived from their clients' trades. With no "extra element," the misappropriation claim was preempted. The opinion should dispel some of the uncertainty created by the *NBA* decision.

### 8. NEW YORK'S HIGH COURT HOLDS THAT OUT-OF-STATE DIGITAL PIRACY NECESSARILY INJURES COPYRIGHT HOLDER IN ITS HOME JURISDICTION.

---

When someone uploads a copyrighted work to the Internet without permission, where does the harm to the copyright holder take place? Does the injury occur where the defendant carries out the infringing acts? Or is it where the copyright holder resides or is based? The answer to this seemingly academic question has critical implications for where the alleged infringer will be subject to personal jurisdiction—and therefore where the copyright holder can file suit.

Responding to the question certified to it by the Second Circuit, the New York Court of Appeals held that under that state's long-arm statute the injury occurs where the copyright holder is located. *Penguin Group (USA) Inc. v. American Buddha*, 946 N.E.2d 159 (N.Y. 2011). The Court of Appeals emphasized that Penguin alleged both that American Buddha had copied and uploaded Penguin's works to servers in Oregon and Arizona *and* that "the intended consequence of those activities" was "the instantaneous availability of those copyrighted works on American Buddha's Web sites for anyone, in New York or elsewhere, with an Internet connection to read and download the books free of charge." The court noted the Internet's critical role in such cases, such that the injury was not (as in traditional commercial tort cases) limited to the place where sales or customers have been lost. Rather, because "an injury allegedly inflicted by digital piracy is felt throughout the United States," the location of that injury includes the copyright holder's home jurisdiction, giving copyright holders greater flexibility in where they can sue.

Other courts may prove willing to adopt similarly expansive reasoning. In a recent decision involving a claim of misappropriation, the Ninth Circuit decided that a California court could exercise personal jurisdiction over an out-of-state defendant based in part on the in-state

## SIGNIFICANT DEVELOPMENTS IN U.S. AND EUROPEAN COPYRIGHT LAW 2011

competitive harm suffered by the plaintiff. *CollegeSource, Inc. v. AcademyOne, Inc.*, 653 F.3d 1066 (9th Cir. 2011). But a similar rule may not apply in the trademark context—for a prominent example, see this year’s Trademark Top Ten and its discussion of the Seventh Circuit’s opinion in *be2 LLC v. Ivanov*.

### 9. THIRD CIRCUIT FINDS REMOVAL OF PHOTOGRAPHER’S CREDIT LINE FROM PRINTED IMAGE VIOLATES DMCA SECTION 1202.

---

Section 1202 of the DMCA forbids any person from intentionally removing or altering “Copyright Management Information” (“CMI”) from a copyrighted work where the person knows the removal will “induce, enable, facilitate, or conceal” copyright infringement. The statute defines CMI as “information conveyed in connection with [copyrighted works], including in digital form,” and specifies eight categories of information that qualify, including a work’s title and the name of its author, along with related identifying information. 17 U.S.C. § 1202(c). District courts have disagreed over the breadth of CMI. Some courts have reasoned that the DMCA was intended to protect technological measures that safeguard copyrighted works and so Section 1202 applies only to information that is part of an automated copyright protection or management system; other courts have found that the plain language of Section 1202 is broader. *Murphy v. Millennium Radio Group LLC*, 650 F.3d 295 (3d Cir. 2011), the first appellate decision to weigh in, took the expansive view.

The underlying dispute was simple. The plaintiff had photographed two radio “shock jocks” for a magazine. The defendant radio station reproduced the photograph on its website without permission—and without the credit that had accompanied the photograph in the magazine. The photographer sued, alleging both copyright infringement and a violation of Section 1202. The district court rejected the latter theory, holding that a magazine photography credit could not be CMI because it bore no connection to any technological copyright protection system. The Third Circuit reversed, relying on the plain language of the statute—even while acknowledging that the legislative history suggested that CMI should be tied to some form of automated copyright protection system. The court admitted that its interpretation “might well provide an additional cause of action under the DMCA in many circumstances in which only an action for copyright infringement could have been brought previously.” 650 F.3d at 302. However, the court noted that Section 1202’s requirement that a defendant know the removal of CMI will “induce, enable, facilitate, or conceal” an infringement meant that liability should not apply where, for example, a defendant could reasonably claim fair use.

### 10. JUDGMENT OF THE COURT OF JUSTICE OF THE EU MAKES RESTRICTING THE DISTRIBUTION OF CONTENT ACROSS EUROPEAN BORDERS MORE DIFFICULT.

---

In a decision with broad implications for content owners and broadcasters, the Court of Justice of the European Union (CJEU) ruled that certain license terms intended to enforce territorial exclusivity contravene EU law. *Case C-403/08 FA Premier League v QC Leisure* and *Case C-429/08, Karen Murphy v Media Protection Services Ltd*.

The Football Association Premier League (FAPL) organizes the filming of Premier League matches and licenses the exclusive right to broadcast those matches within a given EU Member State. To enforce exclusivity, FAPL’s licenses require broadcasters to encrypt their broadcasts and prohibit them from supplying decryption devices (decoders) for use outside the licensed territory. Operators of UK pubs acquired legitimate, low-priced decoders intended for the Greek market, and used them in the UK to access and screen transmissions of live Premier

## SIGNIFICANT DEVELOPMENTS IN U.S. AND EUROPEAN COPYRIGHT LAW 2011

League matches. FAPL sued the pub operators and the suppliers of the decoders in the UK courts, alleging both copyright infringement and violations of Section 298 of the UK Copyright, Designs and Patent Act 1988, which prohibits commercial uses of foreign decoding devices.

On a reference from the English High Court, the CJEU held that prohibitions on the supply and possession of foreign decoder devices contravene EU rules on free movement of goods or services. See Art. 34 and 56 of the Treaty on the Functioning of the EU. While the court recognized that national laws restricting free movement could be justified in certain situations—including where necessary to safeguard intellectual property rights (IPRs)—it concluded that the protection of IPRs was not justified in this instance, as the underlying football matches did not qualify for copyright protection. However, because elements of the broadcast such as graphics and music were copyrighted, the court ruled that displaying those broadcasts to customers constituted a communication of the works to the public, thus requiring the pubs to secure FAPL's authorization—even though the pubs could lawfully acquire foreign decoder cards.

The CJEU further concluded that, in principle, broadcast licenses granting territorial exclusivity were not necessarily anti-competitive. Yet the court also held that it was anti-competitive to impose an absolute bar on the cross-border provision of goods and services—such as decoders for use outside of the licensed territory—and so FAPL's license terms violated Article 101 of the Treaty on the Functioning of the EU.

The European Commission is currently reviewing the EU's rules on pan-European copyright licensing and may incorporate some elements of the CJEU's ruling in a forthcoming draft Directive. Rightsholders should monitor these developments, which could affect the way copyrighted works can be licensed in Europe.

## SIGNIFICANT DEVELOPMENTS IN U.S. AND EUROPEAN COPYRIGHT LAW 2011

### RECENT COPYRIGHT AND TRADEMARK PUBLICATIONS BY COVINGTON ATTORNEYS

---

Simon J. Frankel and Jake Freed, "Legality of Search Engine Keywords Gets Personal," *Daily Journal*, September 15, 2011.

Simon J. Frankel and Leslie Harvey, "Will the Digital Era Sound the Death Knell for the First Sale Doctrine in US Copyright Law," *Intellectual Property Magazine*, March 2011.

Bingham Leverich, Marie Lavalleye, and Hope Hamilton, "Responses to Document Requests Can Be Fatal!," *Law360*, August 26, 2011.

Shannon M. Nestor, "Fashioning Copyright Protection for Apparel in the US," *Intellectual Property Magazine*, May 2011.

Kristina Rosette, "The Sun Rises on a New gTLD Landscape," *Intellectual Property Magazine*, July/August 2011.

Kurt Wimmer, Eve Pogoriler, and Steve Satterfield, "International Jurisdiction and the Age of Cloud Computing," *BNA's Internet Law Resource Center and Internet Law & Regulation*, February 2011.

# SIGNIFICANT DEVELOPMENTS IN U.S. AND EUROPEAN COPYRIGHT LAW 2011

## PRIMARY CONTACTS IN THE COPYRIGHT AND TRADEMARK PRACTICE

<p><b>BEIJING</b></p> <p>2301 Tower C Yintai Centre 2 Jianguomenwai Avenue Chaoyang Dist., Beijing 100022</p> <p>Jason Ma +86.10.5910.0507 <a href="mailto:jma@cov.com">jma@cov.com</a></p> <p><b>BRUSSELS</b></p> <p>Kunstlaan 44 / 44 Avenue des Arts 1040 Brussels</p> <p>Alain Strowel +32.2.549.5269 <a href="mailto:astrowel@cov.com">astrowel@cov.com</a></p> <p><b>LONDON</b></p> <p>265 Strand London WC2R 1BH</p> <p>Lisa Peets +44.(0)20.7067.2031 <a href="mailto:lpeets@cov.com">lpeets@cov.com</a></p> <p><b>NEW YORK</b></p> <p>The New York Times Building 620 Eighth Avenue New York, NY 10018</p> <p>Albert L. Wells 212.841.1074 <a href="mailto:bwells@cov.com">bwells@cov.com</a></p>	<p><b>SAN FRANCISCO</b></p> <p>One Front Street San Francisco, CA 94111</p> <p>Evan Cox 415.591.7073 <a href="mailto:ecox@cov.com">ecox@cov.com</a></p> <p>Simon J. Frankel 415.591.7052 <a href="mailto:sfrankel@cov.com">sfrankel@cov.com</a></p> <p><b>WASHINGTON</b></p> <p>1201 Pennsylvania Ave., NW Washington, DC 20004</p> <p>Ronald G. Dove Jr. 202.662.5685 <a href="mailto:rdove@cov.com">rdove@cov.com</a></p> <p>Kathleen T. Gallagher-Duff 202.662.5299 <a href="mailto:kgallagher-duff@cov.com">kgallagher-duff@cov.com</a></p> <p>Hope Hamilton 202.662.5529 <a href="mailto:hhamilton@cov.com">hhamilton@cov.com</a></p> <p>Marie A. Lavalleye 202.662.5439 <a href="mailto:mlavalleye@cov.com">mlavalleye@cov.com</a></p> <p>Bingham B. Leverich 202.662.5188 <a href="mailto:bleverich@cov.com">bleverich@cov.com</a></p>	<p>Neil K. Roman 202.662.5695 <a href="mailto:nroman@cov.com">nroman@cov.com</a></p> <p>Kristina Rosette 202.662.5173 <a href="mailto:krchette@cov.com">krchette@cov.com</a></p> <p>Laurie Self 202.662.5458 <a href="mailto:lself@cov.com">lself@cov.com</a></p> <p>Individual biographies and additional information about the firm and its practice appear on the firm's website, <a href="http://www.cov.com">www.cov.com</a>.</p>
--	---	--