

Significant Developments in U.S. and European Copyright Law

2017

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Below are the selections of Covington's Intellectual Property Rights Practice Group for the "Top Ten" most significant and interesting developments in U.S. and European copyright law during 2017.

Supreme Court Creates New Test for Copyright Separability

On March 22, the United States Supreme Court issued a highly anticipated copyright opinion in *Star Athletica v. Varsity Brands*. The Court's decision created a new test for separability in copyright.

The separability test determines whether a pictorial, graphic, or sculptural feature of a useful article is eligible for copyright protection. The test stems from Section 101 of the Copyright Act. That section provides that "[p]ictorial, graphic, and sculptural works" are copyrightable only if the works "can be identified separately from" and are "capable existing independently of" the utilitarian aspects of the article of which they are a part.

Before *Star Athletica*, other courts had interpreted Section 101's separability clause as embodying a distinction between "physical" and "conceptual" separability. According to that view, a useful article's artistic feature is *physically* separable if it can be physically separated from the article, while leaving the utilitarian aspects of the article completely intact. If the feature is not physically separable, *conceptual* separability applies. A feature is copyrightable only if it is *conceptually* separable from the utilitarian aspects of the article. But lower courts were unable to agree on a single standard for conceptual separability. Indeed, courts had articulated some nine overlapping standards.

The facts of the case before the Court involved cheerleading uniforms. Varsity claimed that Star

Athletica had infringed Varsity's copyright in the design of its uniforms, some of which are shown below.



The district court held that the designs were *not* separable from the useful article of which they were a part (the uniform), so they were not copyrightable. On appeal, the Sixth Circuit reversed, finding that the designs *were* separable from the uniform—so they *were* copyrightable.

The Supreme Court agreed that the designs were eligible for copyright protection. Justice Thomas' decision focused on the language of Section 101 and set out a new test.

The new test asks, first, if the artistic feature of a design of a useful article "can be perceived" as a two- or three-dimensional work of art separate from the useful article. To satisfy this element, the decision maker need only be able to identify features that appear to have "pictorial, graphic, or sculptural qualities."

Second, if that element is satisfied, the artistic feature must qualify as a "protectable pictorial, graphic, or sculptural work either on its own or in some other medium if imagined separately from the useful article."

If these two elements are satisfied, an artistic feature of a useful article is

copyrightable if it meets the other requirements for copyrightability. Because this analysis does not require the underlying useful article to remain if the copyrightable elements are removed, the physical-conceptual distinction lower courts had employed is no longer necessary.

Instead, the Court clarified that the focus of the separability inquiry is on the extracted feature, not on any aspects of the useful article that remain after the "imaginary extraction."

Applying this standard, the majority held that the cheerleader uniform designs could be identified as "features having pictorial, graphic, or sculptural qualities." From there, the Court reasoned that if the design were "imaginatively" removed from the uniforms and applied to another medium, the uniform itself would not be replicated. So it ruled that the uniform designs can be copyrightable.

Although *Star Athletica* has settled the separability test, how that test will be applied in future cases is less certain. Indeed, to find how judges applying the same standard might reach polar opposite outcomes, one need look no further than Justice Breyer's dissent (joined by Justice Kennedy). The two justices concluded that the designs cannot be perceived as two- or three-dimensional works of art separate from the useful article. Justice Breyer did "not see how one could conceptualize the design features in a way that does not picture, not just artistic designs, but dresses as well."

Neither the majority nor the dissent decided whether the designs met the

other requirements for copyrightability, such as whether they were sufficiently original.

One possible outcome of this case is that more of the copyrightability analysis will shift to those other elements—but only time will tell.

In August, a New York federal court [applied for the first time](#) the Supreme Court's test. Both the plaintiffs and defendants manufactured ornamental strings of lights with similarly shaped glass-and-wire bulb covers. When the plaintiffs sued for infringement, the defendants claimed that the plaintiffs' product was an uncopyrightable useful article. Applying the new two-part test, the court first determined that the covers were capable of being separately identified as a sculptural work. It then concluded that they were capable of existing apart from the light bulbs and wiring that performed the product's utilitarian function. The court therefore allowed the case to proceed.

Volunteer Content Moderators Could Compromise DMCA Safe Harbor, According to Ninth Circuit

In [Mavrix Photographs LLC v. LiveJournal, Inc.](#), the Ninth Circuit reversed a summary judgment ruling finding that LiveJournal, an online forum, was free from copyright liability under DMCA Section 512(c). The court found that LiveJournal's "community moderators" may have been agents of the company—so LiveJournal could still be liable for infringing content that passes through a moderator before being posted on LiveJournal's services.

Section 512(c) of the DMCA exempts Internet service providers from

infringement liability for material stored "at the direction of users."

Plaintiff Mavrix is a photo agency specializing in celebrity photographs, which it sells to celebrity gossip magazines. LiveJournal operates a website that allows users to create online communities. One such community is a celebrity news and gossip journal called "Oh No They Didn't!" ("ONTD").

The content on ONTD is submitted by users. But in order for it to be posted on the site, volunteer ONTD moderators must first review and approve the content. The moderators review for copyright infringement, pornography, and harassment. They also review for compliance with the community's rules. After ONTD became LiveJournal's most popular community, it hired one full-time "primary leader." But it retained volunteer moderators.

Mavrix sued LiveJournal when infringing photos showed up on ONTD. In 2014, a federal district court in California granted summary judgment for LiveJournal. It found that the allegedly infringing posts were created "at the direction of users" because they were submitted to ONTD by its users.

On appeal, Mavrix argued that the district court should examine not only the submission of materials by users, but also how moderators approve content to be posted on the site. Because the moderators were LiveJournal's "agents," Mavrix argued, the DMCA safe harbor should not apply.

The Ninth Circuit held—contrary to the lower court—that principles of agency law applies to the ONTD moderators. The panel decided that issues remained to be resolved as to whether the moderators were LiveJournal's agents.

The court pointed to several factors supporting the conclusion that the moderators could be LiveJournal's agents. LiveJournal selected moderators and provided them with specific directions. The fact that they were unpaid was not persuasive: the court noted that the moderators performed a "vital function in LiveJournal's business model." Further, Mavrix produced evidence that users believed moderators acted on behalf of LiveJournal.

The court interpreted Section 512(c) very narrowly. The opinion stated that posts are "at the direction of the user if the service provider played no role in posting them on its site or if the service provider carried out activities that were 'narrowly directed' towards enhancing the accessibility of the posts."

Though the decision did not state that the safe harbor *does not* apply for LiveJournal, the reasoning seems to imply that outcome. To the extent that service providers act as editorial gatekeepers for user-submitted content, then, they risk losing DMCA safe harbor status under the Ninth Circuit's reasoning.

The parties have since settled.

Ninth and Fifth Circuits Rule Volitional Conduct Standard is Still Law After Aereo

In [Perfect 10, Inc. v. Giganews, Inc.](#), the Ninth Circuit held that the volitional conduct requirement is still intact after the Supreme Court's 2014 [decision](#) in [American Broadcasting Companies Inc. v. Aereo Inc.](#) Some commentators took *Aereo* to mean the volitional conduct doctrine—the requirement that a defendant must engage in conduct that causes infringement in order to be directly liable for it—was dead. In

Aereo, a business that streamed broadcast TV programming to subscribers over the Internet was held liable for infringement. The majority's opinion held that because the business was more like a cable company than a mere equipment provider, it infringed the content it rebroadcast.

Perfect 10 concerned Usenet, an "international collection of organizations and individuals (known as 'peers') whose computers connect to one another and exchange messages posted by [Usenet] users."

Users must purchase access to Usenet through commercial providers, such as the defendants: Giganews and Livewire, Inc. Giganews owns and operates several Usenet servers that give subscribers fee-based access to content stored on Giganews' own servers, as well as content stored on the servers of other Usenet providers. Co-defendant Livewire, Inc. owns no Usenet servers but instead provides subscribers with access to the Usenet content stored on Giganews' servers. Neither Giganews nor Livewire uploaded material onto the Usenet nor directed anyone else to do so.

Plaintiff Perfect 10 (no stranger to copyright litigation) owns copyrights to thousands of adult images. When it identified infringing materials on Giganews' servers, it sent takedown requests instructing Giganews to "locate all infringing messages and images." Some of these requests attached screenshots of the application that displayed posts in which Perfect 10's images were distributed. Unsatisfied with Giganews' response, Perfect 10 sued for copyright infringement.

At the motion to dismiss stage in 2013, the district court granted the defendants' motion with leave to amend, explaining that direct infringement requires volitional

conduct—basically, direct causation—which Perfect 10 had not alleged.

Perfect 10's amended complaint alleged that Giganews itself uploaded infringing content onto USENET or Giganews servers. This allegedly violated Perfect 10's right to reproduce its images. So the district court declined to dismiss this amended claim.

At summary judgment, however, Perfect 10 failed to produce evidence supporting that theory. So the court granted summary judgment for the defendants. A claim for *direct* liability, the court noted, requires evidence that the defendants "*directly or actively* caused the infringement." The volitional conduct requirement, then, is a "basic requirement of causation," not a "judicially-created element of intent or knowledge."

Perfect 10 appealed, arguing (among other issues) that the Supreme Court's silence on volitional conduct in *Aereo* meant that the Court had disposed of any volitional conduct requirement.

The Ninth Circuit panel disagreed, reasoning that the Supreme Court's silence in the *Aereo* decision did not amount to a rejection of the volitional conduct standard, and it would be "folly" to presume the Court rejected it by implication.

The panel accordingly dismissed Perfect 10's claim, remarking that "Giganews' actions were akin to passively storing material at the direction of users in order to make that material available to other users upon request, or automatically copying, storing and transmitting materials upon instigation by others." So Giganews could not be liable for direct copyright infringement. (The panel also rejected Perfect 10's theories of contributory and vicarious infringement.)

In March, the [Fifth Circuit joined](#) the Ninth Circuit in ruling that *Aereo* did not kill the volitional conduct rule.

Defendant T&S Software Associates, Inc. is an Internet service provider that hosted a forum on which users posted images that infringed copyrights owned by plaintiffs BWP Media USA, Inc. and National Photo Group LLC.

The plaintiffs' suit claimed that T&S was liable for its users' infringement because it failed to designate a registered agent for DMCA purposes. Upon learning of the suit, T&S removed the photos.

The district court granted summary judgment for T&S. On direct infringement, it held that T&S was not involved in the infringing conduct. On secondary infringement, it concluded that the plaintiffs failed to produce evidence showing that T&S profited from the infringement. The plaintiffs appealed the direct infringement ruling.

Dealing with the "determinative issue" of volitional conduct, the Fifth Circuit agreed with the Ninth Circuit's reasoning in *Perfect 10 v. Giganews*, remarking that the Supreme Court did not jettison the volitional conduct requirement.

BWP also argued that adopting the volitional conduct requirement would render the Section 512(c) safe harbor meaningless. But the panel swiftly rejected this argument, citing a line of cases providing that the DMCA does not alter copyright law's baseline requirements, of which volitional conduct is one.

This case and the Ninth Circuit decision in *Giganews* indicate that the volitional conduct requirement for direct infringement is here to stay.

Ninth Circuit Rules Against Service Streaming Decrypted DVDs

In August, the Ninth Circuit held in [*Disney Enterprises v. VidAngel*](#) that technological protection measures (“TPMs”) encrypting copyrighted works may control both access to and use of those works. This means that one may violate the Digital Millennium Copyright Act (“DMCA”) by either circumventing an access-and-use control without authorization or by trafficking in technologies that enable circumvention of such a control.

VidAngel purchased and decrypted physical DVDs, then uploaded a digital copy of the film or television show on the DVD. It then “sold” the DVDs to users—but instead of mailing these DVDs out, VidAngel retained physical possession. The “owner” of the DVD then specified content to be filtered from the work—a character, audio, or even the credits. After that, VidAngel streamed a filtered version of the digital copy to the user. Finally, the owner “sold” the DVD back, with the final cost of one day of ownership only \$1—effectively an affordable online rental service.

Disney, Lucasfilm, 20th Century Fox, and Warner Brothers sued to halt the streaming of their copyrighted works. They claimed VidAngel infringed the reproduction right. They also asserted that VidAngel circumvented encryption that controlled access to those works, in violation of the DMCA.

VidAngel first argued that the Family Movie Act, which permits a member of a private household to filter content “from an authorized copy” of a film, shielded it from liability for copyright infringement. The court rejected this argument. It held that

even though VidAngel initially purchased the DVDs lawfully, its filtered versions were created from unauthorized, ripped copies. It also found that VidAngel was unlikely to succeed in its claim of fair use.

VidAngel fared no better in defending the film studios’ DMCA claim. It first argued that lawful purchasers of content subject to TPMs are authorized to circumvent those TPMs. But the court held that this conflicted squarely with Ninth Circuit precedent holding that purchasers have permission only to view that content by means of a licensed decryption device such as a DVD player.

VidAngel also attempted to distinguish between two different provisions of the DMCA. One prohibits the circumvention of TPMs that control access to the work. The other prohibits trafficking in technologies that circumvent TPMs meant to prevent unauthorized exercise of a copyright holder’s exclusive rights—that is, they control the use of a work. VidAngel claimed that, because the studios permitted a means of access (decryption to view using a licensed player) but not a use (illicit copying), the TPMs circumvented here were use controls. And because VidAngel did not traffic in circumventing technologies, but itself circumvented them, it claimed that it had not violated the narrower DMCA provision governing use controls.

The Ninth Circuit disagreed. Even though unlawful circumvention (access) does not necessarily implicate infringement (use), the court found that the DMCA contained no strict division between access and use controls. So a TPM may be both an access control and a use control. The DMCA is violated whether a party circumvents such a TPM or traffics in technology enabling its circumvention by others. As a result, VidAngel’s protest that it did not

traffic in circumventing technology was unavailing.

Finding that the studios were likely to succeed on the merits of both the infringement and DMCA claims, the Ninth Circuit affirmed the district court’s grant of a preliminary injunction barring VidAngel from circumventing the TPMs and from copying and streaming the works.

The ruling suggests that dual access-use controls aimed broadly at preventing several types and stages of infringement will be covered by the DMCA’s provision against circumvention. It also suggests that copyright holders will find it easier to avoid having to satisfy the stricter requirements of the DMCA provision prohibiting trafficking in circumventing technology.

Top EU Court Rules Against TV Streaming Device.

In April, the Court of Justice of the European Union (“CJEU”) ruled in [*Stichting Brein v. Wullems*](#) that an Internet TV device called “Filmspeler” violated the EU’s Copyright Directive because it was sold with pre-installed apps linking users to websites containing infringing content.

The CJEU held that the sale of the device allowed unauthorized “communication to the public” of copyrighted material, violating the Directive. In so holding, the court interpreted the right of “communication to the public” broadly, considering (1) whether the device allowed for an “act of communication” of a protected work; and (2) whether the device allowed for communication of a protected work “to the public.”

“Any transmission or retransmission of the work to the public by wire or

wireless means” constitutes an act of communication under the Directive. That includes making the work “available to a public in such a way that the persons forming that public may access it,” regardless of whether the public “avail[s] themselves of that opportunity.”

The court held that selling the Filmspeler is, in itself, an act of communication to the public. As the CJEU explained, the Filmspeler makes “technically possible” public access to protected works through its pre-installed “add-ons that specifically enable purchasers to have access to protected works.”

In determining whether the Filmspeler communicated works to the public “to the public,” the court considered the number of people who had access to a protected work through the device. It also considered whether the Filmspeler allowed for communication to a “new” public that was not previously authorized to access the material.

The court ruled that the Filmspeler enabled communication of protected works to “an indeterminate number of potential recipients”—effectively, “all people who could potentially acquire that media player and have a connection.” This included a “new” public of persons not previously authorized by the copyright holder.

The CJEU’s reasoning was based mainly on its body of law regarding linking to infringing content. Under CJEU case law, publicly providing a link to copyrighted content constitutes “communication to the public,” when the poster knows or ought to have known “that the hyperlink he posted provides access to a work illegally placed on the Internet.” The same is true when the link allows visitors to “circumvent the restrictions taken by the site where the protected work is posted in order to restrict the public’s access to its own subscribers.”

The court emphasized that “when the posting of hyperlinks is carried out for profit,” the law assumes the poster’s “full knowledge” of the protected nature of those works and the possible lack of consent from the copyright holder. The poster is expected to “carr[y] out the necessary checks to ensure that the work concerned is not illegally published on the website to which those hyperlinks lead.”

Because Filmspeler’s “main attraction” was in its pre-installed add-ons linking to infringing websites, the court held that the Filmspeler’s sale clearly met the Directive’s criteria for a “communication to the public.”

Cloud-based TV Recording Violates EU Copyright Laws

In November’s *VCast Ltd. v. RTI SpA*, the Court of Justice of the European Union (CJEU) held that an online television-recording service infringed the exclusive EU right to communicate a copyrighted work to the public.

VCast lets customers select a terrestrial television program to be recorded and stored in the cloud. Every customer gets a unique copy of their recordings. Customers can then watch the programs they have recorded at their leisure. VCast sought a declaratory judgment of noninfringement in Italian court against RTI, an Italian television company. The Italian court asked the CJEU whether VCast’s service was permitted under an exception to EU copyright law.

In the EU, creators of copyrighted works have the exclusive right to permit reproduction of their works, and to communicate or make those works available to the public. Member states may create an

exception to the reproduction right for copies made for private, non-commercial purposes. Italian law contains such an exception. But it has no such parallel exception for the right of communication to the public.

The CJEU observed that on the one hand, VCast is a permissible means of creating a copy under the private copying exception. But on the other hand, it is a means of communicating or providing access to protected works. This is because VCast made the television programs available to people who might not otherwise have viewed the original broadcast. As a result, the CJEU determined that VCast violated not the right of reproduction, but the right of communication to the public. That right requires all retransmission of works be authorized by the author. Because VCast retransmitted RTI programs to a different set of persons than the original broadcast, without permission, it acted outside the right and was infringing.

Government Regulations Can Be Copyrighted, Two Courts Rule

In February, the U.S. District Court for the District of Columbia held in *American Society for Testing & Materials v. PublicResource.org* that certain federal regulations may be copyrighted.

Federal law provides that agencies may incorporate voluntary consensus standards developed by private standards-setting bodies into federal regulations by reference. But to do so, the standards must be “reasonably available” to the public. To that end, the Office of the Federal Register (“OFR”) adopted regulations specifying when publications are eligible for incorporation by

reference. The OFR specifically addressed and rejected the argument that “reasonably available” meant “available for free online.”

The plaintiffs in this case were private standards-setting organizations that created many standards that were eventually incorporated into law. They sold soft and hard copies of these standards. Defendant Public Resource purchased hard copies of the standards, scanned them, and posted them online for the public to view.

The plaintiffs sued Public Resource for copyright and trademark infringement in two separate cases. They sought permanent injunctions barring Public Resource from publishing their standards online for free.

Public Resource argued that the standards at issue lost their copyright protections as soon as they were incorporated into federal regulations. They pointed to Section 105 of the Copyright Act, which provides that copyright protection is not available “for any work of the United States Government.”

The court disagreed. Noting the “weighty policy arguments” on both sides of the issue, the court’s holding was based on the language of the Copyright Act itself. Specifically, the Act defines a “work of the United States Government” as “a work prepared by an officer or employee of the United States Government as part of that person’s official duties.” The court ruled that the standards themselves were not government works because the government did not prepare them.

The court issued an injunction ordering Public Resource to stop publicly displaying the rules on its website. The judge found that the public would not be disserved by the injunction, emphasizing the policy

interests that underlie the Copyright Act itself: “the protection of financial incentives for the continued creation of valuable works, and the continued value in maintaining the public-private system in place in the U.S. to ensure continued development of technical standards.”

Public Resource suffered another defeat in March’s [Code Revision Commission v. Public.Resource.org](#), when a federal district court in Georgia ruled against it. The court held that annotated versions of the Georgia Code are copyrightable.

A free version of the Official Code of Georgia is available online. But the annotated Code contains judicial decision summaries, editor’s notes, research references, notes on law review articles, and other extra materials. LexisNexis prepares these annotations pursuant to an agreement between it and the Georgia Code Revision Commission.

Public Resource purchased printed volumes and supplements of the annotated Code and posted copies on its website. The Revision Commission and the State of Georgia sued Public Resource for direct and indirect copyright infringement.

The court disagreed with Public Resource’s argument that the annotations in the annotated Code were not copyrightable. Its key rationale was that “[o]nly those government documents having the force of law are uncopyrightable.” The annotated Code clearly explained that the annotations were separate from the statutory portions of the Official Georgia Code. They lack the force of law and may therefore be copyrightable.

The court also rejected Public Resource’s argument that the merger doctrine should bar the annotated Code’s copyrightability. The merger doctrine holds that

expression cannot be protected if there are only one or a few ways of expressing an idea. In such a case, affording copyright protection would be like protecting an idea itself, which the Copyright Act specifically forbids. But as the court noted, there are many ways to summarize judicial decisions and statutes. So the merger doctrine was inapplicable to the annotations at issue here.

Finally, the court rejected Public Resource’s fair use defense. It found that the transparency organization’s use was not transformative, even though it was not for monetary gain. It also concluded that the copying was extensive and would harm the market for the original.

Public Resource has appealed both losses. If left in place, however, this series of cases will make it more difficult for organizations like Public Resource to disseminate materials that are arguably public in nature.

Streaming Services Cannot Use Compulsory Retransmission Licenses, Ninth Circuit Says

In March’s *Fox Television Stations, Inc. v. Aereo*, the Ninth Circuit deferred to the Copyright Office’s view that [Internet streaming service providers are not eligible](#) for Section 111 compulsory licenses.

The defendant, FilmOn X, Inc., operates a service that captures broadcast programming and retransmits it over the Internet to paying subscribers.

Perhaps not surprisingly, a group of broadcast stations and copyright holders (including Fox, CBS, ABC, and NBC) brought an infringement suit against FilmOn. FilmOn defended that suit by claiming that it

is a “cable system” eligible for a compulsory license under Section 111 of the Copyright Act.

Section 111 provides that a “cable system” is eligible for a compulsory license that allows it to retransmit copyrighted works without having to secure the consent of the rightsholder. Instead, the cable system need only pay a statutory fee to the Copyright Office and comply with certain other requirements.

The district court granted partial summary judgment to FilmOn, agreeing that it qualified as a “cable system” potentially eligible for the compulsory license.

The Ninth Circuit panel reversed. In doing so, it noted that as of its March 21 opinion, seven federal courts have considered the same issue as the district court—and only the district court here had concluded that Internet-based retransmission services count as “cable systems” under Section 111.

The panel reviewed Section 111 and concluded that it did not speak clearly to the issue. The court then considered Copyright Office interpretations of whether Section 111 creates a compulsory license for Internet-based retransmission services. Since 1997, the Copyright Office’s has expressly taken the view that, for purposes of Section 111, such services are not “cable systems” and are not eligible for compulsory licenses. Applying *Skidmore* deference, the panel deferred to the Office’s views, deeming them “persuasive” and “reasonable.”

This opinion marked the end of the road in FilmOn’s dispute. Although other cases were pending in the Seventh and D.C. Circuits when the Ninth Circuit ruled, FilmOn settled with Fox and has withdrawn its appeals.

District Courts Split on Determining Fair Use Prior to Discovery

Three courts weighed in on the possibility of determining whether a use is fair as a matter of law prior to conducting discovery. Two judges in New York disagreed on the issue, one handing defeat to high-profile copyright litigant Richard Prince while the other ruled against the estate of Dr. Seuss. A different cast of Seuss characters survived a challenge in California.

In August, a New York federal court found the fair use inquiry in *Graham v. Prince* too fact-intensive to resolve on a motion to dismiss. Richard Prince is an artist widely known for “appropriation art” in which he reproduces and modifies the works of other creators, often garnering much greater attention—and monetary success—than the original creator. In a 2014 exhibition, he commented on the Instagram posts of various users and then screenshot, printed, and displayed the post with his comment underneath. One of these posts was a cropped (and itself unauthorized) version of a photograph taken by a professional portraitist, who eventually sued for copyright infringement. Prince moved to dismiss, claiming that his work was fair use as a matter of law.

The court acknowledged that it is conceivably possible to resolve the issue of fair use using only the facts contained in and inferences drawn from the complaint. But in this case, the court found it impossible to resolve any of the factors in Prince’s favor, and impossible to definitively assess some of the factors at all.

In considering the first factor, the purpose and character of the use, the court found that Prince’s work was not so aesthetically different

from the original photograph as to be transformative as a matter of law. The original photograph was the “dominant image” and Prince’s additions were immaterial at first glance. Without additional evidence, such as art criticism or statements of Prince’s intent, the court found itself unable to weigh this factor in Prince’s favor.

This inability to determine that Prince’s work was transformative also hamstrung the court’s ability to weigh the third fair use factor: whether it was necessary for Prince to use almost the entire original photograph in creating his work.

In assessing the final factor, the effect of the use on the market for the original work, the court determined that the original photographer had adequately pled that both his and Prince’s works shared in the “fine art” market of galleries and collectors.

Bound to take as true the facts laid out in the complaint, the court was unable to distinguish Prince’s work from the original with any certainty. This suggests that proving fair use may be more difficult in the case of conceptual art—the message, meaning, and distinctiveness of which may not be apparent on its face—purely as a matter of law and without a sufficient volume of evidence gleaned from discovery.

In September, however, the court in *Lombardo v. Dr. Seuss Enterprises* found based solely on the pleadings that a “bawdy, ribald” parody of “How the Grinch Stole Christmas” was a fair use.

“Who’s Holiday” imitated Dr. Seuss’s distinctive rhyming scheme in portraying “rather down-and-out” versions of “Grinch’s” characters in “outlandish, profanity-laden, adult-themed scenarios.” The play’s producers sued for a declaration that the work was a fair use.

Unlike in *Graham*, this court found it appropriate to address the question of fair use before any discovery had been conducted. All the court found necessary to resolve the issue was a side-by-side comparison of the two works and the facts contained in the pleadings.

The court found that “Who’s Holiday” was clearly a parody that imitated “Grinch” in order to ridicule it, transforming its innocent setting into a coarse depiction of the modern world. Rather than a utopian community, Who-Ville is “plagued by problems and real-world challenges.” The court also found the play’s use of Seuss’s rhyming style subversive, implying “vulgar, un-Seussian conclusions.”

This finding that the play was a parody and therefore transformative carried the other factors for the plaintiffs, as it is often necessary for such works to use large portions of the original work, and they rarely affect the market for that work.

In a counterpoint to *Graham*, *Lombardo* suggests that where it is easier for the court to compare the character and content of two works on their faces, as with a subversive parody, the fair use inquiry may be resolved simply by reference to the works themselves.

Seuss’s estate fared somewhat better in June, when the court in [*Dr. Seuss Enterprises v. ComicMix*](#) declined to find a Dr. Seuss-Star Trek mash-up a fair use upon a motion to dismiss.

Although the court did not find the work to be a parody, it nonetheless found the work transformative, particularly because “it combines into a completely unique work the two disparate worlds of Dr. Seuss and *Star Trek*.” But taking as true the plaintiffs’ assertion that it frequently licenses its works, the court found

the market harm factor to favor plaintiffs at that stage.

With the most important fair use factors in equipoise, the others neutral or only slightly favoring one party, and the implications of deciding either way on an “emerging ‘mash-up’ culture” unclear, the court declined to make a determination.

This order reinforces the idea that works must be quite distinct in appearance, tone, and audience for a court to be willing to resolve the question of fair use prior to the introduction of evidence.

The Seuss estate appealed the *Lombardo* order. The other two cases remain in litigation.

“Framing” Can Infringe Copyright, One Court Holds

In [*The Leader’s Institute v. Jackson*](#), a Texas federal judge ruled that framing (also known as in-line linking) copyrighted content through one’s website can infringe copyright. The decision splits from cases like the Ninth Circuit’s *Perfect 10 v. Amazon*, on which online businesses have long relied to argue that framing content does not infringe.

Plaintiff The Leader’s Institute (“TLI”) organizes corporate team-building and charity events. Defendant Jackson had worked for TLI, but was terminated because TLI believed he was operating a directly competing company, Magnovo.

TLI sued the Jackson and Magnovo, raising trade secret and other claims. The defendants counterclaimed that TLI infringed their copyrighted material by framing a Magnovo-owned website and photograph within a TLI website. Through HTML, the programming language used to make websites, TLI directed users’

browsers to find content on the defendants’ websites, then show it on TLI’s website—without actually making a copy of that content.

TLI argued that the court should apply the reasoning from *Perfect 10* and dismiss the defendants’ copyright counterclaim. *Perfect 10*, adopting the so-called “server test,” held that a defendant violates the display right if it communicates a copyrighted work that is stored on its own computer or server. But if the defendant instead frames another party’s website and does not host content on its own servers, it does not infringe the display right. TLI framed Magnovo’s content on its website, but never copied that content to any TLI-controlled server. So TLI contended that its case was just like *Perfect 10*.

The court rejected TLI’s analogy in denying its motion. First, the court stated that TLI and Google did not frame content in the same way. It stated that Google provided links for users to access sites containing infringing images. The user effectively navigated to the websites actually displaying those images by clicking on Google’s thumbnail links, even though infringing content appeared under a Google banner. The court found that TLI’s websites, however, “necessarily” displayed Magnovo’s content. Instead of providing a link for a user to access Magnovo’s content, the court found that TLI displayed that content “as if it were its own” whenever a user visited TLI’s website.

Second, the court disagreed with *Perfect 10*’s holding that an infringer must possess a copy of the work infringed. The court stated that the Copyright Act only requires an infringer to “display” a work using a “process.” It therefore found the fact that TLI did not have a copy of Magnovo’s content on its servers immaterial.

The court's conclusions differ starkly from the reasoning in *Perfect 10*. First, it is not clear how TLI's technical process differs from Google's in any material way. The code used to display third-party content via frame or inline link is the same in both cases. And the court did not explain how linking (in Google's case) could be an essential element of an infringement claim—

e.g., if TLI had linked to Magново's website and also framed it, would it have avoided liability?

Second, similarly unexplained is the court's ruling that infringing the display right does not require the infringer to possess a copy. The court cited just one case holding similarly and disagreeing with the Ninth Circuit. But the Seventh Circuit

[reversed that case](#) and rejected the theory that framing could directly infringe copyright.

It is unclear whether the Fifth Circuit will review *TLI*. But if it does, the Fifth Circuit will have to decide whether to align with its sister circuits or go its own way.

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