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3C Copyright Law Session. U.S. Copyright Developments

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**TWENTY-EIGHTH ANNUAL CONFERENCE
INTERNATIONAL INTELLECTUAL PROPERTY
LAW & POLICY**

Thursday, April 8, 2021 – 11:45 a.m.

**SESSION 3: COPYRIGHT LAW
3C. U.S. Copyright Developments**

Moderator:

David O. Carson

U.S. Patent and Trademark Office, Alexandria

Speakers:

Ralph Oman

The George Washington University Law School, Washington, D.C.

***State Immunity from Monetary Damages for Copyright Infringement: Is the
14th Amendment Poised to Outflank the 11th Amendment Defense?***

Nick Bartelt

U.S. Copyright Office, Washington, D.C.

A Fair Use Update: Embedding, Tattoos, Experimenting, and Seuss

Steven Tepp

Sentinel Worldwide, Washington, D.C.

Google v. Oracle: Cheat Code vs. Declaring Code

Kevin Madigan

Copyright Alliance, Washington, D.C.

***Copyright Small Claims and Closing the Streaming Loophole: An Overview
of the PLSA and CASE Act***

Panelists:

Robert J. Bernstein

Law Office of Robert J. Bernstein, New York

Jonathan Band

Jonathan Band PLLC, Washington, D.C.

* * *

RALPH OMAN: I'm talking about *Allen v. Cooper*,¹ the state sovereign immunity case. Last year the Supreme Court held in that case that the Copyright Remedy Clarification Act² (CRCA), which we enacted in 1990, failed to abrogate some of the Eleventh Amendment³ prohibition on suits for monetary damages against states. The Court looked at the legislative record on which Congress relied and found that Congress did not have enough evidence – evidence of widespread, willful, or recurring state infringement to justify the abrogation of state immunity for all copyright cases across the board.

The Court said that that remedy which had been adopted by the CRCA is not, in its words, “congruent and proportional”⁴ to the nature of the wrong. Many commentators, including some famous treatise writers in fact, criticized the holding, saying it reflected a lack of respect for the predictive judgment of Congress. They had held hearings, they had talked to the experts, they had touched all the bases, but that was insufficient to satisfy the Supreme Court.

Even so, the authors are now stuck with the holding. The Eleventh Amendment trumps the CRCA. The Constitution prevails over the statute. You may remember that Mr. Allen is a videographer who shot incredible underwater footage of the salvaging of the sunken flagship of Blackbeard the Pirate, named (for copyright purposes) appropriately, *Queen Anne's Revenge*, which Blackbeard had seized from the French. Mr. Allen risked his life and a part of his fortune, in creating these videos in the stormy and murky waters of the Atlantic off the coast of North Carolina.

Almost immediately after he shot those videos, state officials infringed Mr. Allen's work willfully, repeatedly, and physically by posting all of them on the North Carolina website. The North Carolina Legislature even passed a law effectively confiscating Mr. Allen's copyright in the videos, which they called “Blackbeard's Law.”⁵ Talk about willful infringement, that is an excellent example. Mr. Allen sued the Governor of North Carolina under the CRCA. The district court found that the Eleventh Amendment barred money damages and dismissed the suit.⁶ The Fourth Circuit affirmed that decision.⁷ Then, as we know, Supreme Court affirmed 9-0. The case is now back in the Eastern District of North Carolina on a motion to reconsider.

The briefs cite two major changes in the law as justification for reconsideration by the court. The first one is a recent Supreme Court decision, *Knick v. Township of Scott*,⁸ in which the Supreme Court held that the federal taking claim under the Constitution can go directly to federal court without exhausting state remedies—very important. Second, the new legal theory focused on the Court's decision in *Allen v. Cooper*, which, as I said earlier, limited the reach of the CRCA on which Mr. Allen had relied in his original lawsuit. This time, Mr. Allen is not relying on the CRCA. Instead, he's relying on the Fourteenth Amendment to the Constitution, which is subsequent to and

¹ *Allen v. Cooper*, 140 S. Ct. 994 (2020).

² Copyright Remedy Clarification Act, Pub. L. No. 101-553, 104 Stat. 2749, 17 U.S.C. § 511(a), *invalidated by Allen v. Cooper*, 140 S. Ct. 994 (2020).

³ U.S. CONST. amend. XI.

⁴ *Allen*, 140 S. Ct. at 1004.

⁵ N.C. GEN. STAT. § 121-25 (b).

⁶ *Allen v. Cooper*, 244 F. Supp. 3d 525, 545 (E.D.N.C. 2017), *rev'd and remanded*, 895 F.3d 337 (4th Cir. 2018), *aff'd*, 140 S. Ct. 994 (2020).

⁷ *Allen v. Cooper*, 895 F.3d 337, 344 (4th Cir. 2018), *aff'd*, 140 S. Ct. 994 (2020).

⁸ *Knick v. Twp. of Scott, Pennsylvania*, 139 S. Ct. 2162 (2019).

presumably prevails over the Eleventh Amendment. The Fourteenth Amendment prohibits the taking of property without due process of law. Also, as Mr. Allen argues, it prohibits the taking of property without just compensation.

The district court decision is due soon and it will have a bearing on possible renewed efforts in Congress to resolve the issue legislatively. Congress has already asked the Copyright Office to revisit the issue and write a report based on new marketplace realities, and on its evaluation of the magnitude of the problem of state copyright infringement in the digital age. That's the question. Will this new approach succeed, and will it let authors pierce the Eleventh Amendment to sue and collect money damages from a state that infringes? I expect that the Copyright Office study will have many more examples of willful infringement by the states than the two examples that we came up with in 1988. In 1988, the states all assumed that they were liable for monetary damages, and they acted accordingly. That changed with the various Supreme Court Eleventh Amendment cases. Since the states thought they were liable for monetary damages, they took copyright very seriously. When they thought they were no longer liable, they took it less seriously. Training programs suffered. They relied less frequently on the copyright experts in their bureaucracies. They relied less on expert advice from law firms. The big change is the digital technology, which makes copying fast, easy, and cheap. Back in 1988, many of the states never responded to our questionnaires. With the higher profile of copyright today, I predict that most of them will respond to inquiries from the Copyright Office, or else we'll send the new Register of Copyrights after them. Shira Perlmutter can be very persuasive.

Also, the only two cases of willful infringement the court pointed to from the 1988 report will be seen for what they were – the tip of the iceberg. Even back then, it was an inaccurate reflection of reality. In fact, most copyright cases, especially those involving state universities, turned out to be settled rather than pursued in litigation. The study of the case law would not reveal those examples. That's the basis of it. I gave you a status report and I suspect that maybe next year me or someone else will give you the final word. Thank you very much, David.

DAVID CARSON: My apologies for my late arrival; I had some technical difficulties. Let me just step back for a minute and give you the overview and then we'll get into a couple of questions for Ralph. As you know, Ralph has already addressed the first issue, but it's one of about four issues we're going to be talking about, depending on how you want to carve them up. The overview is that it's been a pretty momentous year in copyright. We've had more legislative activity than usual and there have been significant developments in the courts, as we all well know and as we're all about to hear.

On Monday, we got a decision in what was billed as the copyright case of the century. Later on in this panel, maybe we'll answer the question whether it lived up to its billing. We've already talked about the aftermath of *Allen v. Cooper*, and we're going to have a little bit of discussion on that in a moment. Then we're going to talk about some developments in fair use case law, which will be a little teaser before we hear about what the Supreme Court did in its recent fair use decision in *Google v. Oracle*.⁹

⁹ Google LLC v. Oracle Am., Inc., 141 S. Ct. 1183 (2021).

We're then going to hear about two significant copyright statutes enacted by Congress at the end of the year, addressing issues that have been on Congress's agenda for many years, but that we were never sure Congress would actually deal with. All in all, quite a lot to talk about. We got a great group of experts here to do it. I'm going to introduce each of them now because I encourage all of them to participate in all of our discussions that are going to follow each of the speaker's presentations. Ralph, who as you know just talked about state sovereign immunity, will be followed by Nick Bartelt, who's going to guide us through some of the recent case law on fair use. As many of you know, in his former life, Nick was a key member of the group that puts the Fordham Conference together. His presentation should be a good lead-in for Steven Tepp of Sentinel Worldwide, who will talk about the *Google v. Oracle* decision that came down three days ago. Insiders think the reason the Court issued the opinion on Monday was to make Steve start all over in his presentation for today's panel. I suspect that in 25 minutes when he's scheduled to start speaking, Steve will have just about finished putting his notes together.

Finally, Kevin Madigan of the Copyright Alliance is going to talk about two legislative developments at the end of last year: the Protecting Lawful Streaming Act¹⁰ (PLSA) and the Copyright Alternative in Small Claims (CASE) Act. The Copyright Alliance was actively involved in both bills. Maybe we'll get the inside story on that. We also have two panelists who are going to bring some interesting, and I think diverse perspectives to share on these topics. We have Bob Bernstein, who practices copyright law in New York, and Jonathan Band, who practices copyright law in Washington, D.C.

With that belated introduction, let's pose at least a couple questions to Ralph and the panel at large on the sovereign-immunity issue. Ralph, in *Allen v. Cooper*, the Court invited or maybe dared Congress to try again to abrogate state sovereign immunity if it could create a legislative record that justified abrogation. Back in 1990, when Congress enacted the Copyright Remedies Clarification Act (CRCA), it was based on your report, but in *Allen*, the Court concluded that your findings didn't present a sufficient factual record of state infringement.

That wasn't your fault, because the Court changed the rules on us all back in the late nineties in the *Florida Prepaid*¹¹ case. The Court observed a couple days ago that your report came up with only a dozen possible examples of state infringement, and that in your testimony before Congress you acknowledged state infringement isn't widespread, and that states are not going to get involved in a wholesale violation of copyright laws.

I'm not sure that's what I heard you say predictively just now in your presentation, but just with that in mind, what quantity of infringement by states do you think Congress is going to have to find in order to satisfy the Court that it has an adequate record to abrogate state sovereign immunity without getting slapped down by the Court again?

RALPH OMAN: I mentioned in my presentation that the world has changed since 1988 when we conducted the state survey. The Copyright Office still doesn't have subpoena power, but it will have tools that can be used effectively to get correct information. I would urge the private sector to take

¹⁰ Protecting Lawful Streaming Act of 2020, 18 U.S.C. § 2319C.

¹¹ Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank, 527 U.S. 627 (1999).

this—especially the Copyright Office study—very seriously to show how a lot of the infringing activity committed by the states never gets reported in official legal volumes. The cases are settled.

The states obviously don't want it widely reported that they're copyright scofflaws. They will do their best to conceal it by settling or by other nefarious efforts. In any case, the fact that Congress will be relying heavily on the Copyright Office report will determine what route they take. If there is evidence of egregious widespread copying, Congress may create a broader bill. If it's limited to the willful infringement because the Copyright Office report indicates that the examples of state infringement are few and far between, that too is a possibility. I suspect that the Copyright Office is going to come up with a lot of juicy, red meat that is going to be of great interest to Congress.

DAVID CARSON: Kevin, I don't mean to put you on the spot, but I guess I'm going to. You're at the Copyright Alliance, which I know submitted comments to the Copyright Office in the ongoing study. I assume you made the best case you could that there have been a large number of willful infringements. Can you tell us a little bit about the kind of case that was made and whether you think it was adequate?

KEVIN MADIGAN: Yes, sure. We launched this survey back last summer to help the Copyright Office out in their study where we basically solicited feedback from copyright owners on their experience with infringement by states. We also conducted a number of interviews with a number of individual creators and organizations. The result of our research is that we compiled compelling evidence exploring that remedies against state infringement are inadequate and really non-existent in some states, and state copyright infringement occurs frequently and is harmful to copyright owners.

I think the key takeaway from our survey might have been the responses to the question of when people had experienced infringement. We had some people reporting infringement by states as far back as 1978. What we really found was a pronounced trend of increased infringement starting in the mid-to-late 1990s, as you might expect with the cases, and then increasing yearly to the 2000s and 2010s with the most occurring in 2019.

We think that the consistent rise over the last 20 years corresponds with the cases, the late '90s cases like *Florida Prepaid* that challenged the validity of the CRCA. We're hoping that the Copyright Office will take our survey into account when they come up with their study.

DAVID CARSON: Since *Florida Prepaid*, I think most people have probably assumed that when the case reached the Court, it would end up saying what it did end up saying, which is that they're going to treat copyright the same way they treat patents and trademarks, and a sufficient record hadn't been made by Congress when it tried to abrogate sovereign immunity. One would assume that more often than not that ever since *Florida Prepaid*, when someone thought they had a claim of copyright infringement against the state, they probably wouldn't even have bothered to file a suit, because what's the point? The outcome was probably pretty apparent.

I would think that when the Copyright Office looked at the record, they're going to have to go beyond the actual filed cases, because as I said, they're probably only going to be the tip of the iceberg in terms of the actual incidents. Do you have any sense of how easy it has been to come up with cases

of examples of infringement that weren't litigated just because it was futile to do so?

KEVIN MADIGAN: Yes, we tried to do a little bit of that in our survey by interviewing a number of creators who both had and had not filed lawsuits. What was found was that one of the questions in our survey when people would respond that they hadn't filed lawsuit, we asked why. We found a majority of the respondents said exactly that, that they felt that because of state sovereign immunity, it was a waste of their time and resources and that nothing would come of it. We included those results in our survey. It's tough to show sometimes when you don't have that record of filed cases. Again, we hope that the things that we compiled are helpful to the Copyright Office.

JONATHAN BAND: Just a couple of very quick points. First, the issue of sovereign immunity basically says that the states aren't liable for damages, but they can still be liable for injunctive relief. If there were so many cases of egregious willful infringement, you would see those cases. But the point is you haven't because there aren't those cases. Ralph says, there's all these scofflaws who then settle. Well, wait a minute, why would a state settle if it was a scofflaw?

The point is that states do settle routinely when it turns out that they have infringed rights, not because they have to but because they want to. Because they feel that they want to be good players in the ecosystem. In the vast majority of situations where there is something that appears to be a legitimate instance of infringement, the states are happy to settle because they think that that's the right thing to do.

Just to close the point, I think the record that the Copyright Alliance was able to put together—I'm sure they worked as hard as they could—but it was a very thin record, considering that it was asking for the past 20 years, all 50 states, and they were able to come up with a relatively small number of cases. Then the roundtables that the Copyright Office held also did not produce a lot of examples. I think the Copyright Office is really going to have a problem making the record that would meet the Supreme Court's standards.

DAVID CARSON: Ralph mentioned the *Allen* case, it's back on remand now. I hadn't realized this until Ralph mentioned it, but they're now pursuing a takings claim. I think it's also the case – and if anyone has any more information on this, I hope they'll share it with us – that at least in a number of states, it's at least theoretically possible to file a claim through the state's own processes, whether through their courts or through administrative proceedings, under the rubric of a taking without compensation, without due process. Has that been tried? Is anyone aware of what kind of record has been presented in the ongoing study right now?

JONATHAN BAND: Well, I know that in the Copyright Office roundtables there was someone from the University of Texas who was talking about Texas' procedure where they have an administrative procedure for exactly as you described. As you mentioned, many other states have that as well. The rights holders pursue those remedies in those tribunals and it works.

DAVID CARSON: Ralph or anyone else, do you have a reaction to the availability of that remedy to the extent that that is a remedy that actually is available? Does that really answer the question?

RALPH OMAN: I'm not aware of any specific cases that dealt with money damages under the Fourteenth Amendment. In the *Knick*¹² case they did allow money damages under the Fifth Amendment constitutional violation.

DAVID CARSON: Well, maybe one final question. I'm not quite sure how much time we have. Steve?

STEVEN TEPP: Jonathan's right. It's going to be very difficult to meet the standard the Supreme Court set because the standard the Supreme Court set is so high. It's worth noting that over the 20 or 30 years that this type of case law has been evolving, the Supreme Court has been ratcheting up higher and higher what that standard is. Congress complied with the standard, but that got struck down. They complied with the standard again, they got struck down again.

One can question whether there's justice being done here. The notion of going through state law claims or takings claims, these are workarounds to try and find a way to get justice. Do I think every state is rampantly violating copyrights willfully all the time? Probably not. Are there definitely anecdotes where states have violated copyrights and they come into settlement negotiations with an absolutely intransigent attitude saying, "You can't sue us so there's not much you can do?" We heard that at the Copyright Office roundtable. One participant said, "Hey, you took your shot at the Supreme Court, you lost, so you got to live with it." The truth is somewhere in the middle, the reality is that the Supreme Court's standard for how much evidence is necessary, and Ralph alluded to this in his opening remarks, is a sliding scale. The broader the prophylactic nature of the legislation to preemptively waive state sovereign immunity, the more evidence you need.

If there is in fact less evidence than the Supreme Court seems to be demanding, then Congress could still enact a narrower statute successfully to provide copyright owners with at least some way to move forward without disrupting the unified system of federal court jurisprudence over copyright and pushing this off in the state courts where you're going to resume having all sorts of disparate decisions across the country.

DAVID CARSON: Our time on this is up, but maybe we can pursue that in a general discussion that follows. Now, let's move on because Nick is now going to give us his overview of the pre-*Google v. Oracle* fair use case law from the past year or so. Nick?

NICK BARTELT: Thanks, David. I appreciate all the input that we've received into the Copyright Office's ongoing study of sovereign immunity, and we'll make what we can of it. I think initially we had planned for it to be released in April, but now it's planned for a few months later, maybe later this summer. I don't have the exact dates but stay tuned. It's on our website.

DAVID CARSON: It's the end of August, Nick.

NICK BARTELT: The end of August. That's right. I thought it had been pushed. It is a busy time at the Copyright Office. I think Shira let everybody know that this morning. Anyway, fair use, another area that we're covering. I think this presentation pulls largely from the Copyright Office's Fair Use Index.

Since 2019, there have been about 75 copyright cases that have addressed fair use. I hope people are familiar with some of these, so the visual aids won't make that much of a difference. The first topic I really want to hit on

¹² *Knick v. Twp. of Scott, Pennsylvania*, 139 S. Ct. 2162 (2019).

were these embedding cases. First, what's embedding? Embedding of websites, of posts. It's usually where a website includes code that will retrieve a post—text, image, video, tweet—from another website and displays that content.

In 2020 alone, there were at least three cases that involved an embedded Instagram image where fair use was considered. The first one is *McGucken v. Newsweek*,¹³ where a professional photographer published an image he took of an ephemeral lake that appeared in Death Valley.

Newsweek embedded the post in an article about the lake that it published online. The article credited the photographer and incorporated quotes from his social media post. A motion to dismiss on fair use grounds was denied in this case because the post was used as an illustrative aid for the subject of the article, that is, the ephemeral lake. Token commentary about the post was not enough to transform the image and imbue it with a new meaning. No evidence was presented to overcome a presumption of market harm.

A second case, *Walsh v. Townsquare Media*.¹⁴ Like in *McGucken*, here we had another case of embedded Instagram posts. But unlike in *McGucken*, here the court found fair use largely because the embedded post and the comments on the post were the focus of the article. The online magazine did not use the photograph as a generic image of Cardi B—here you would see that image of Cardi B to accompany an article about Cardi B—but rather published the post, which incidentally contained this photograph because the post is the very thing the article was reporting on. On the fourth factor, in this case, the court found it implausible that the embedded post would harm the licensing market for the standalone photo.

A third case, *Boesen v. United Sports Publications*,¹⁵ is similar to *Walsh* in that this is another case where an Instagram post was embedded in an article that commented on the content of the post itself, with the post being about Caroline Wozniacki announcing her retirement from tennis on Instagram, using a picture of her younger self, which you can see.

Again, the court found this to be fair use because it was not being used simply as a generic image of Wozniacki, but rather to illustrate an article about her commenting on the post itself. There are a couple of follow-up decisions in this case, including one where attorneys' fees were denied. The judge reasoned partly that this was a relatively novel factual context and that three district court decisions do not create a consensus, so we'll see how that develops over time.

Turning to a second area, there are a few cases about tattoos being reproduced in other media. *Solid Oak Sketches v. 2K Games*¹⁶ involves claims involving certain tattoo designs that appear on the bodies of NBA players and that were reproduced in a video game that simulates NBA basketball. On summary judgment, the court found in favor of the video game makers on fair use and other defenses including that the use was *de minimis* and that the players had an implied license to use the tattoos as part of their likenesses.

Why was this a fair use? Clearly, the tattoo designs are expressive, not factual works, though the court downplayed their creativity as being based on common motifs or photographs. More significantly, the court saw that the

¹³ *McGucken v. Newsweek LLC*, 464 F. Supp. 3d 594 (S.D.N.Y. 2020).

¹⁴ *Walsh v. Townsquare Media, Inc.*, 464 F. Supp. 3d 570 (S.D.N.Y. 2020).

¹⁵ *Boesen v. United Sports Publications, Ltd.*, No. 20CV1552ARRSIL, 2020 WL 6393010 (E.D.N.Y. Nov. 2, 2020).

¹⁶ *Solid Oak Sketches, LLC v. 2K Games, Inc.*, 449 F. Supp. 3d 333 (S.D.N.Y. 2020).

tattoos were not being used for their particular creativity but rather for a factual transformative purpose for the “general recognizability” of the players.

In light of that purpose, the court focused on the tattoos’ reduced size, they’re pretty small in the game, and that they constituted an inconsequential portion of the overall game, observing that the tattoos appeared on 3 out of 400 players and were a small fraction of overall game data. On market harm, the players had conceded the use of the tattoos in the game were not a substitute for the use in any other medium.

There is a second case that’s ongoing involving WWE wrestlers,¹⁷ which also on summary judgment considered the same defenses. But the court, in the Southern District of Illinois, actually has dismissed the *de minimis* use argument and found that there are unresolved material factual disputes concerning the fair use defense and the implied license defense. So, we’ll see what happens as that case proceeds to trial.

A third development, experimenting, comes from the case *Chapman v. Maraj*.¹⁸ This was a dispute where the defendant ultimately settled, but significant because of the partial success of a novel fair use defense. The court found it can be fair use to use the lyrics and vocal melodies of a musical work for artistic experimentation and for the purpose of securing a license. Nicki Minaj covered a remake of a song by Tracy Chapman. The remake was not commercially released, but it was leaked on the radio resulting in Chapman suing Minaj for distributing a derivative work.

The court here found it compelling that musicians experiment with derivative versions of songs all the time, often with the intention of seeking a license before release, which a songwriter may even require hearing before granting permission. The court was concerned that “uprooting . . . [these] common practices would limit creativity and stifle innovation within the music industry.” That said, Minaj’s fair-use defense was only successful as to her creation of that work, and the unauthorized distribution claims survived. The parties ultimately settled this in December; and a judgment of \$450K was entered in favor of Chapman in January.

Finally, there were three circuit courts of appeal decisions over the last few years. The Fourth, Ninth, and Second Circuits have reversed findings of fair use by the district courts in their respective jurisdictions. The first one is *Brammer v. Violent Hues*.¹⁹ This is an example of where the district court pretty clearly went astray and the appellate court corrected the analysis, concluding it was not a fair use. Here, the film festival organizer had used a cropped version of the photo on the left to illustrate a section of his website on the right. The court found the use was not transformative or for a different purpose, it was clearly commercial, and the type of use that undermines the licensing market for stock photography. In a sense, there are parallels with the *McGucken* embedding case where an image was used for an illustrative, not a transformative purpose.

¹⁷ *Alexander v. Take-Two Interactive Software, Inc.*, 489 F. Supp. 3d 812 (S.D. Ill. 2020).

¹⁸ *Chapman v. Maraj*, No. 218CV09088VAPSSX, 2020 WL 6260021 (C.D. Cal. Sept. 16, 2020).

¹⁹ *Brammer v. Violent Hues Prods., LLC*, 922 F.3d 255 (4th Cir. 2019).

In the Ninth Circuit, *Dr. Seuss Enterprises v. ComicMix*²⁰ involved the book *Oh, the Places You'll Boldly Go!*—a mash-up of Dr. Seuss books, including *Oh, the Places You'll Go!*, and the TV/film franchise, *Star Trek*. You can see some comparisons of images from the two works in the decision. The district court in this case had twice denied motions to dismiss the infringement claims before granting summary judgment for defendants on their fair use defense.

Last December, the Ninth Circuit reversed. Just a few takeaways from this case. On the first factor, *Boldly's* commercial use of Seussian elements was not a parody or otherwise transformative. The court concluded that *Boldly* did not critique or comment on *Go!* as a parody would; rather, *Boldly* mimicked *Go!* and paralleled *Go!'s* purpose. The third factor weighed decisively against fair use here because *Boldly* closely replicated “the exact composition, the particular arrangements of visual components, and the swatches of well-known illustrations.”

You see some similarities to the fourth factor analysis in the *Warhol* case, maybe with different verbiage. The court faulted the district court for shifting the burden to plaintiffs on market harm and further observed that *Boldly* would likely curtail *Go!'s* existing and potential market for derivative works.

Finally, *Warhol v. Goldsmith*.²¹ Just a few weeks ago, the Second Circuit reversed a finding of fair use in a case involving a photograph used to create an artwork series.

Some background, in 1984, the photo of Prince was licensed to the magazine, *Vanity Fair*, for use as an artist reference for an illustration. Andy Warhol received the *Vanity Fair* commission to make an illustration, which he did, and you can see the magazine illustration. Warhol also made a series of 15 other works, and there are a few examples of those, based on the photo without the knowledge or consent of the photographer. Since Warhol's death, the plaintiff not-for-profit foundation has controlled and licensed Warhol's works including images of the Prince series to *Vanity Fair* for use in their tribute edition after Prince's death, which is how Goldsmith finally became aware of the other Warhol works. There's lots to say about the decision, I'm sure the panel will have plenty to say, but just a few high-level points I'll conclude on.

The Second Circuit's focus on transformativeness from their previous opinion in *Cariou v. Prince*²² was limited, I think, by this decision. One thing they said about that was that there was no bright-line rule that any secondary work that adds a new aesthetic or a new expression to its source material is necessarily transformative. A thing to keep in mind, at least from the Second Circuit's point of view, is that derivative works can also transform the original work and that some transformative uses are not fair. They advised, when evaluating the extent to which a work is transformative fair use versus a derivative infringement, to consider the purpose of the primary and secondary works.

I think recognizing that this is challenging in the visual-arts context, they further refined that a bit by saying that the secondary work “must reasonably be perceived as embodying an entirely artistic purpose, one that conveys a ‘new

²⁰ *Dr. Seuss Enterprises, L.P. v. ComicMix LLC*, 983 F.3d 443 (9th Cir. 2020).

²¹ *Andy Warhol Found. for the Visual Arts, Inc. v. Goldsmith*, 992 F.3d 99 (2d Cir. 2021).

²² *Cariou v. Prince*, 714 F.3d 694 (2d Cir. 2013).

meaning or message' entirely separate from its source material."²³ Although the primary work need not be "barely recognizable," the "secondary work's transformative purpose and character must, at a bare minimum, comprise something more than the imposition of another artist's style on the primary work."²⁴ One note about market harm: as in the *Seuss* case, the court here faulted the district court for shifting the burden to Goldsmith and also noted that substantial potential harm to the derivative market existed. With that, I'll turn it over to David and the panel to maybe dig a little bit deeper into some of these decisions I've gone through.

DAVID CARSON: Let's start with the embedding case as you talked about. You talk about how when you embed a photograph, there are cases when it can be a fair use. But how about a different scenario, which we're often seeing come up, where a celebrity will take a picture that was taken of him or her by paparazzi and then post the picture on social media. Do you see a viable fair-use defense in those cases?

NICK BARTELT: Yes. I've been watching a few of those cases. I think a lot of us probably have seen the cases involving Gigi Hadid and Emily Ratajkowski. Some of them are more Instagram-friendly stars, but I think also LeBron James has run into these issues. A lot of them have settled out, so we haven't gotten through a decision. I think one was dismissed for failing to meet the registration requirements. Of course, I think if they do something obviously very transformative with it, that's not just merely reposting, then that's probably a different matter altogether and the courts are going to look favorably on that. But it will be interesting to see how courts consider the market for these works and how this type of use really impacts it, and whether a celebrity using an image of him or herself really undermines the licensing market for the work. And even how courts define the market—we'll get into *Google v. Oracle*—but I think there's a more potentially a more expansive view of what markets can be considered and the perspectives that can be offered coming out of that case.

I could see a court looking at this somewhat equitably and saying, "Well, maybe there's a right of publicity claim here, too," which is working in the shadows. "How much is this really affecting their market?" Also, "how much is a celebrity's reposting of this photo potentially helping the market for it?" Another case I didn't mention where this factor was, I wouldn't say decisive, but something that certainly the court considered, involved a Dr. Bell who has a book called *Winning Isn't Normal*.²⁵ High school coaches reposted an excerpt of his philosophy.²⁶ But Dr. Bell makes a lot of his living by going around and doing speaking engagements rather than by selling copies of this book. Some of the courts that looked at this thought, "well, to the extent that people are reusing this book or portions of it, they may be helping his personal brand, that there's something valuable about that." I don't know that the same argument can necessarily be made for a photographer that doesn't receive attribution in reposting a photo. I guess, depending on the facts, we'll see how some of those

²³ *Warhol*, 992 F.3d at 113.

²⁴ *Id.* at 114.

²⁵ KEITH F. BELL, *WINNING ISN'T NORMAL* (1982).

²⁶ See *Bell v. Crawford Indep. Sch. Dist.*, No. 6:19-CV-268-ADA, 2020 WL 5370592 (W.D. Tex. Feb. 13, 2020); *Bell v. Oakland Cmty. Pools Project, Inc.*, No. 19-CV-01308-JST, 2020 WL 4458890 (N.D. Cal. May 4, 2020).

play out because inevitably, I think these cases are going to come up again and again. I don't know if anyone else on the panel has thoughts about it.

DAVID CARSON: Does anyone want to pitch in on that? Well, then, let's move on to one that I thought was very interesting. The Minaj case, that's a case where we had at least two acts of infringement with respect to one work. One was the reproduction or the creation of the derivative work. The other was, I'll use the international term rather than the U.S. term, the making available of that work through a leak onto, I think it was a radio station -- was it?

NICK BARTELT: That's right.

DAVID CARSON: But that couldn't be traced to Minaj. At least, there wasn't sufficient evidence there to pin that one on her and she denied that she had anything to do with it. It sounds like she got two clear *prima facie* acts of infringement, but on the one that could be pinned on Minaj, the court found it was a fair use. I've never seen a case quite like that before.

NICK BARTELT: Same here. That was unique.

DAVID CARSON: Yet, when I read the case, I thought, yes, that makes a lot of sense. You don't want to stop people from experimenting with stuff even though it might be technically an act of infringement. But as long as she didn't make it public, should that be a problem? I'm curious to get other people reacting to that.

JONATHAN BAND: Well, my sense is, no, it shouldn't be a problem. It's almost like an intermediate copy in *Sega v. Accolade*,²⁷ or it's a private copy. It's the copying, frankly, all of us do all the time, even people on this panel. You make a lot of copies, especially if you're creating something, it's inevitable. If all those private copies that never saw the light of day are considered infringements, then we'd all be in trouble.

DAVID CARSON: Does anyone have a different view on that?

NICK BARTELT: No, I'll just add, I think here too is the market harm obviously was a big consideration. It did ultimately leak. But I think if you're making in the privacy of your home or the studio and it doesn't get out, then what potential harm is there to Chapman from it? Ultimately, there was harm or she felt there was harm from the distribution. If it had not leaked, then I agree that it would be odd to penalize individuals for that private behavior.

DAVID CARSON: Of course, if it had not leaked, she wouldn't have known about it and there wouldn't have been a lawsuit. Well, I hope we'll have time to get into some of these other cases in the general discussion period. Our time is up on this now. Let's now move on to the big fair use case, the case of the century. I guess one question, hopefully, Steve will answer is: did it turn out to be the copyright case of the century? Steve will now walk us through *Google v. Oracle*.

STEVEN TEPP: Thank you, David. My thanks also to Hugh and the entire conference team, and of course to Fordham University for once again holding the leading international IP conference in the world and for affording me the opportunity to speak. The good news is that the decision came Monday and not this morning. I did have a little time to change my notes, and it makes this panel really interesting. The bad news is pretty much everything else about the decision.

²⁷ *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F.2d 1510 (9th Cir. 1992).

For those who may not be familiar with the case, the dispute arose from Google's copying of 11,500 lines of Oracle's code in order to build the Google Android platform and use the attributes of Oracle's code to attract app designers and thereby catch up to the app offerings of the Apple iPhone. The code Google copied is known as declaring code and its purpose is to invoke the functions of various implementing code to produce the desired outputs of the program.

The two issues before the court were whether the declaring code Google copied is copyrightable, and if so, whether Google's copying qualifies under the fair use defense. The moment we saw that Justice Breyer had written the opinion of the court, we knew where it was going to go. After all, he wrote in opposition to copyright protection for computer code decades ago prior to his judicial career. His questions at oral argument in this case were openly hostile to Oracle's position.

We see while it's good to have the Justice Department and the Copyright Office agree with you on the merits as Oracle did, it's even better to have a sitting Supreme Court Justice who is determined to see your side win. Justice Breyer attracted five of his brethren to his opinion, Justice Thomas wrote a dissent which Justice Alito joined, and Justice Ginsburg's successor, Justice Barrett, did not participate in the case.

As anyone who's practiced U.S. copyright law knows, first, there must be a finding of a *prima facie* case of infringement, which by definition includes a finding that the work at issue was copyrightable. Then there may be consideration of the affirmative defense of fair use. If the court had simply held the code was uncopyrightable, reasonable people would disagree on those merits, but it would have been an analysis that took place within the analytical framework of the Copyright Act.

The court had denied *cert.* on the copyrightability issue earlier in the long history of this litigation, and the oral argument showed that Google really had no chance on that issue. My assumption is that Justice Breyer couldn't get the votes for what he really wanted. Alternatively, the court could have conducted a copyrightability analysis, found the code copyrightable, and proceeded with a fair use analysis.

But Justice Breyer was apparently unwilling to give Oracle even that, perhaps still clinging to his personal policy preferences, even in the face of congressional enactments to the contrary. The result is an opinion that purports to assume copyrightability and then undermines that assumption creating an untenable internal contradiction.

Indeed, the very first sentence of Justice Breyer's consideration of the four fair use factors, characterizes the code as "user interface." This characterizes the code as user interface. This is the drop-the-mic moment in the decision. Because instead of remaining faithful to an assumption of copyrightability of the creative code, Justice Breyer immediately adopts the function-focused language of Google's argument that the code is not protectable.

Thus, Justice Breyer concludes, "The declaring code is, if copyrightable at all, further than are most computer programs from the core of copyright."²⁸ This is an explicit contradiction with a supposed assumption of copyrightability. If there was a true assumption of copyrightability, the second-factor, nature of

²⁸ Google LLC v. Oracle Am., Inc., 141 S. Ct. 1183, 1202 (2021).

the copyrighted work, would have to favor Oracle. But Justice Breyer concluded exactly the opposite.

The first factor and transformative use analysis simply adopts Google's view of the case, quoting extensively from Google and its *amici's* briefing. It brushes aside the fact that Google used the copied code for exactly the same purpose for which it was written, ignores that Google rejected a license because it did not want to abide by interoperability requirements, and reaches a conclusion of transformativeness because Google put it in a different box, a smartphone, without ever acknowledging that Oracle presented evidence the code had already been licensed in another mobile device.

The third-factor, amount and substantiality of the portion copied, the Court acknowledges that the declaring code was the needed "key" that Google copied to give itself a commercial advantage "to improve its own innovative Android systems." That is seemingly a strong basis for finding that Google copied the heart of the work. Perversely, Justice Breyer considers that to support a finding a fair use.

For the fourth factor, harm to the market or potential market for the work, the Court contradicts itself. It first suggested that the original authors of the code would have not been successful migrating to smart mobile devices. It then acknowledged that enforcement of copyright "could well prove highly profitable to Oracle," which sounds a lot like market harm if the copyright is not enforced. Having found that harm to a potential market, Justice Breyer disregards it on the basis that enforcing copyright would "harm the public." This is only one of many examples of the derogatory language Justice Breyer uses to describe copyright. This opinion is littered with epithets mischaracterizing copyright as a tax, a monopoly, etc. Of course, this is all *dicta*. While internet trolls will make copious use of it, in fact it further undermines the credibility of the opinion. The Court does all this with virtually no attempt to apply the actual definition of computer program in the statute as Justice Thomas' clear-headed dissent points out. Nor does Justice Breyer grapple with arguments presented by Oracle, the Justice Department and the Copyright Office, or supportive *amici*.

Finally, Justice Breyer made it clear that he knew exactly what he was doing all along. He wrote that fair use can provide "a context-based check that can help to keep a copyright monopoly within its lawful bounds."²⁹ This is a tacit admission that despite the façade of claiming to assume copyrightability, he undid that in the context of fair use. Even further, this hints at expanding the role of fair use beyond an affirmative defense to some inherent limitation on exclusive rights. Such an unprecedented and fundamental shift would be truly concerning if it weren't for the fact that his fellow justices did put a limit on his frolic and detour. In its closing lines, the majority opinion reaffirms, "We do not overturn or modify our earlier cases involving fair use."³⁰ That, along with other language of the text narrowing the opinion to the facts of the case, indicate that the precedential value of this opinion is minimal and perhaps zero. This is an opinion comprised almost entirely of *dicta*, laboring under its internal contradictions, burdened with the weight of Justice Breyer's polemic musings, and leads to only one single clear holding: Google wins.

²⁹ *Id.* at 1198.

³⁰ *Id.* at 1208.

DAVID CARSON: Thank you Steve. You knew this question was coming. Did this turn out to be the copyright case of the century?

STEVEN TEPP: Well, it's the copyright case of the century for Oracle because they have an entire line of business that may have just been required to subsidize Google. But with an opinion that has virtually no precedential value, it's hard to call it the case of the century.

DAVID CARSON: In fact, some of the commentary following the Court's ruling suggests that this case was rather *sui generis* and it's not likely to have a lot of influence and other fair use cases, at least when they involve works other than computer programs and perhaps not even when they involve implementing code. I'm wondering what your reaction to that is and I'd like to hear if others on the panel have a different reaction.

STEVEN TEPP: *Sui generis*, I think is another way of saying what I just said that instead of following a proper copyrightability analysis and then a fair use affirmative defense analysis, the Court tried to pretend it was assuming copyrightability and then undo that in the context of fair use. You can't actually reach fair use if you don't have the copyrightable work in the first place. Doctrinally, it doesn't make any sense. You could call it *sui generis*, or I heard one commentator describe it as an advisory opinion that here are Justice Breyer's thoughts about Oracle's declaring code and copyright.

DAVID CARSON: I'm not sure I heard an answer to the question whether you think it's going to have influence on future fair use cases though?

STEVEN TEPP: I thought I did, but no. I think this case has almost zero precedential value anywhere including software and even including declaring code.

DAVID CARSON: Jonathan, I suspect you've got a different perspective. Would you like to share?

JONATHAN BAND: Sure. Just a slightly different perspective. At the highest level, I do agree with Steve that it's frustrating that they assumed the protectability of the declaring code. Again, just to make all the terminology very clear, there's no question that the overall Java API, the 15 million lines of code, overall was clearly copyrightable. At issue was whether the 11,000 lines used by Google were protectable, meaning whether those lines on their own are on the idea side or the expression side of the idea-expression dichotomy.

The work as a whole, clearly, was protectable. It was just about the protectability of these individual set of lines. I agree with Steve it's odd that they jumped over that, and I just assume that was because they couldn't reach five votes in favor of that. They decided that rather than have one of these fractured decisions that's so hard for everyone to parse, they would just assume that and go on to fair use.

It could be there are some other contradictions, and I agree that there's some other inconsistencies. But to say that this is all Justice Breyer's policy preferences does really minimize the other five justices who joined him. None of them are shrinking violets. They obviously agreed, and it could be that a lot of what was said and how it was said reflects what they want, whether it's their policy preferences or copyright judgements.

In terms of the impact, I agree with Steve—aside from the issue about the standard of review of the jury decision in fair use cases, and I think that that will have obviously impact across the board and I'd be interested to hear what others say about if there is any point in having a jury in a case that really focuses

on fair use going forward—I think it will have a very limited impact outside of the software space and even outside the issue of interfaces.

The protectability of interfaces is a hugely important issue. It's narrow. It might not affect most of the people in the room who are dealing with films and sound recordings and other literary works, books and so forth. But if we're talking about dollar value, the dollar value about this issue of protectability of interfaces, this is maybe not a trillion-dollar issue, but it's a hundreds and hundreds of billion dollars issue. It's the rules of competition for software. Given that software is in everything, that means it really affects the way people will be able to compete in virtually every part of the economy. Yes, very narrow but of enormous significance. It really does ensure that copyright doesn't become a pseudo-patent law and allow people to, without getting a patent, be able to exercise patent-like control.

DAVID CARSON: I definitely want to get to the standard of review issue, which is an interesting one. Before we do that, I want to see whether anyone else does want to take issue with what we've heard so far or add their voices to it.

ROBERT BERNSTEIN: I would like to say something if you can hear me.

DAVID CARSON: Yes, we can.

ROBERT BERNSTEIN: Great. I appreciate the comments that Steve made, but I don't think it's possible to say that a Supreme Court opinion as significant as this one will not affect decisions in areas other than computer software. The approach of the Supreme Court in this case ignored the market effect on licensing, which the Second Circuit in the *Warhol* decision emphasized and other courts have emphasized. I think if the lower courts are going to be affected by anything in this opinion, it's going to be putting less weight on the fourth factor.

I also think that the fact that the Court elevated factor two, the nature of the use, to its first topic of inquiry may change the approach of some lower courts because everybody in prior fair use decisions the courts had generally minimized the significance of this factor. The fact that it matters so much in *Google*, is going to be significant going forward, most certainly in computer software cases and possibly in others. I also must say that I found Justice Thomas's dissent to be pretty much on point because to avoid the copyrightability issue – I agree with Steve on this – really is avoiding the hard distinctions in the case. In the past, when the Supreme Court had an opportunity to rule on this going back to *Lotus v. Borland*,³¹ there was a 4-4 affirmance which basically left the First Circuit opinion in place (unfortunately, one justice had to recuse himself). The First Circuit opinion in *Lotus*, which was cited in the majority opinion in *Google*, held that the Lotus 1-2-3 software was copyrightable and, infringed. There's a lot more to say, but I'll stop here.

DAVID CARSON: A lot of interesting points in there. Our time is up but now we move into a general discussion. We will come back to the *Google* case I'm sure. Kevin, let's now move onto the legislative front and talk about the PLSA and the CASE Act.

KEVIN MADIGAN: All right. Thanks, David, and thank you everyone at Fordham. I'm going to be talking about two copyright-related bills that were

³¹ *Lotus Dev. Corp. v. Borland Int'l, Inc.*, 49 F.3d 807 (1st Cir. 1995), *aff'd*, 516 U.S. 233 (1996).

signed into law late last year. I'm going to move quite quickly because there's a lot to get through.

The CASE Act is the Copyright Alternative in Small-Claims Enforcement Act. It was signed into law in December 2020 but it won't be implemented entirely until December 2021 at the earliest. That's because it establishes a small-claims tribunal in the U.S. Copyright Office to provide a streamlined and affordable alternative to bringing claims in federal court. The tribunal will be called the Copyright Claims Board (CCB). One of the key components is that it's voluntary with an opt-out provision. It's simplified and streamlined. With no travel required, parties can appear virtually. Attorneys are not required and also statutory damages are limited to \$15,000 per claim compared to 10 times that in federal court. And there is no more than \$30,000 total damages compared to no limit in federal court. The types of claims that can be brought are copyright infringement claims, declarations of non-infringement, and also DMCA 512 misrepresentation claims related to knowingly sending false notices or counter-notices.

A little bit more about the CCB: it's going to be made up of three officers who will act as judges. They will evaluate and adjudicate copyright infringement claims. Importantly, these officers will be selected by the Librarian of Congress. They will be supported by two attorneys and an admin team that will assist the officers.

A little bit about how the CCB will look in practice: after a claim is discovered and maybe parties fail to resolve an issue, a claimant can file a claim at the Copyright Claims Board. After the claim is filed, the CCB attorneys will examine the claims to make sure they meet the CASE Act requirement. If it does, the claimant then serves notice upon the respondent consistent with the Federal Rules of Civil Procedure. Then the respondent will have 60 days to decide whether to opt-out or participate in the proceeding. If they chose to opt out, the case is immediately terminated. If they don't opt-out, the CCB will issue a scheduling order including dates for the respondent to file counterclaims and defenses. Then when the proceeding takes place the CCB will supervise discovery, conduct conferences, and facilitate settlement negotiations. After the CCB renders their decision, the parties will have 30 days to request reconsideration by the CCB and then another 30 days after that to request review by the Register of Copyrights. After reconsideration and review, the losing party will have a limited right to appeal the decision to federal district court.

There are some safeguards in place to ensure the CCB is constitutional and doesn't become inundated with meritless claims. Those are that, as I mentioned earlier, it's voluntary, there's the opt-out provision. The notice requirements mirror the Federal Rules of Civil Procedure. There are penalties for bad faith claims or actors. Basically, the CCB can ban recidivist bad-faith claimants. The CCB can dismiss a claim for being unsuitable, including claims brought for harassment or other improper purposes. Finally, the Copyright Office can limit the number of claims that can be brought within a given year.

Moving onto the Protecting Lawful Streaming Act (PLSA) because I know I'm already probably almost out of time. Protecting Lawful Streaming Act or the PLSA became law at the same time in December 2020. But unlike the CASE Act, it became effective immediately. The law is aimed at closing something called the streaming loophole which had allowed those who violate

the public performance rights implicated by streaming to only be subject to misdemeanor penalties.

Before the passage of the PLSA, criminal penalties for copyright infringement distinguished between offering a work for downloading and offering a work for streaming. That's because criminal copyright law was based on the reproduction and distribution rights that were implicated by earlier forms of infringement. As we all know now, streaming is the dominant form of content consumption online and it implicates the public performance right. In early 2020, Senator Thom Tillis brought together representatives from diverse tech and content industries as well as user communities to negotiate an update to the law that would hold accountable large-scale commercial piracy operations while at the same time not sweeping up end-users or legitimate businesses.

The agreement that was reached was an update to the law that would add a new Section 2319(c) to Title 18 of criminal infringement of copyright. The framework of the new 2319 Section was inspired in part by Section 1201 anticircumvention provisions. That was chosen as a model because of the way that it targets technologies and devices that are specifically designed for circumvention or infringement and that have no other significant commercial purpose.

What the law really wants to go after is the really bad actors. The new law makes it a prohibited act for any person who willfully and for purposes of commercial advantage or private financial gain offers and provides to the public a digital transmission service that—three prongs—is designed or provided for the purpose of public performing works protected under Title 17 that would be subject to the penalty under the new law. The next prong says that the service is liable if it has no commercial significant purpose or use other than to publicly perform protected works under Title 17. Then finally the last prong, a service is liable if it's intentionally marketed to promote its use in unauthorized streaming.

What kind of penalties are we talking about? The base offense penalty is a fine or imprisonment of not more than three years, or both. The next step up from there is a fine or an imprisonment of no more than five years, or both. This is enhanced for pre-released and live-streaming content. Talking about things like movies that are not yet released or they're still in the theater and also pay-per-view sporting events like boxing or UFC³² fights where piracy can be very hard to combat and it completely destroys the market for the work because it loses all value basically as soon as the event is over. Then the highest penalty is for second or subsequent offenses. It's a fine and not more than 10 years imprisonment. It's important to understand that these penalties are the same, those that have existed for years for the violations of reproduction and distribution rights.

DAVID CARSON: Kevin, I think your time's up. Do you have any last point you want to make before we get into some discussion?

KEVIN MADIGAN: I was just going to go through a couple of the things that wouldn't be swept up under the bill. Those are normalized practices, good-faith business disputes, non-commercial activities, and users engaged in ordinary activities, but that's it.

DAVID CARSON: Great. Now, the Protecting Lawful Streaming Act took a different form than the kind of legislation on that topic that we've seen

³² Ultimate Fighting Championship.

proposed over the last several Congresses. Can you tell us a little bit about why there was that change in approach?

KEVIN MADIGAN: The bills that would have addressed illegal streaming in the past took a bit of a broader view of the activities that should be subject to felony penalties. There was fear among user communities and tech communities that the grandmothers or the Justin Biebers of the world would be jailed for posting a video with infringing content or streaming a video at home. What the PLSA does is it takes a much more narrowly tailored approach by only subjecting these large-scale commercial piracy services to the heightened penalties. It has to be someone that's offering an actual service. That was also the result of months of negotiations. In the end, while I think the content community probably wanted something a little less narrow, they understood that this was a big step towards at least deterring some of the most egregious forms of streaming piracy.

DAVID CARSON: Jonathan, I understand you were part of a disparate group of stakeholder representatives who about a year ago got together and tried to work out something that ended up being this legislation. Can you tell us a little bit about that process and why? I'm making the assumption here that you moved from opposition to at least benign neutrality with respect to the new version of the bill.

JONATHAN BAND: Yes, that's right and I think Kevin described the concerns and also accurately described the narrow, more-tailored approach addressed to those concerns. In effect, the problem was, and one can say this about all the criminal provisions certainly to the extent you're dealing with public performances over the internet, is that almost anyone could meet the criminal thresholds pretty easily, so everything is left to prosecutorial discretion.

Maybe in an older time, a more pleasant time, we would say, "That's fine. We always trust the prosecutors. The Justice Department would never be politicized." But certainly, after the past four years, I think there's a greater recognition, "We can't rely too much just on prosecutorial discretion." You can't just assume that prosecutors are just going to always act in the interest of justice. That's why we're much more comfortable with this narrower approach.

DAVID CARSON: I for one think it's great that you came to the defense of Justin Bieber. I'm sure he appreciates it as well. Let's move on to the CASE Act. Kevin, we know that for constitutional reasons, Congress had to structure the CASE Act to give everyone who was a defendant, or respondent as the CASE Act calls it, the ability to opt-out of a proceeding. But isn't that the Achilles' heel of the act? At the end of the day, how many cases do you think the copyright claims board is actually going to be able to adjudicate, when if you're a defendant, one would imagine the natural thing to do would be to say, "Why shouldn't I opt-out? Chances are the plaintiff's not going to be able to afford to take me to federal court, so I'll just sit back and thumb my nose at him."

KEVIN MADIGAN: Yes, I think that's a legitimate concern. I don't know if I'd call it the Achilles Heel. There's certainly a concern that a lot of people will opt-out, especially in the first year or the first months that the CCB is up and running. But I think there will be some cases where a claimant will be able to then take their claims to federal court. They may be few and far between, but if an infringer gets hit with a big damages penalty in federal court after

opting out of the CCB then maybe respondents will think more about whether they actually want to opt out.

I would also say that at the very least, even if every single respondent opts out, there's educational value or a teaching-moment value in a respondent maybe recognizing that they may have done something that constitutes infringement. Maybe after they get the notice and opt-out, they actually maybe go to the Copyright Office website or read about copyright and fair use there and they learn and maybe they're a little bit more careful in the future if they're making use of copyrighted work. There is some good that can come, even if many opt out in the beginning.

DAVID CARSON: Have you given any thought to what the Copyright Office might do to make this a more attractive option for people who find themselves on the wrong act of a case act claim?

KEVIN MADIGAN: I think there's limited information that the Copyright Office is going to be able to include in the notice sent to the respondent, other than, "Here are some of your potential defenses." I'm not sure that that notice is really going to get into what the dangers are if they don't opt out, because there might be some constitutional concerns there if they're found to be pressuring people into participating in it. On behalf of the Copyright Office, I don't know how much they can do. But they have just released all the NOI³³ on all the regulations that they're going to be issuing over the next few months. There might be questions like this coming up, and there'll be opportunity for the public to weigh in on some of that.

DAVID CARSON: Jonathan, I gather you're not a fan of the CASE Act. If I'm wrong, please correct me. If I'm right about that, can you explain why?

JONATHAN BAND: No, you're not wrong. The main concern is that it could become a venue where copyright trolls will be able to pursue folks and that the people who know better will opt out, as you suggest, and that in the end the people who don't know better will be stuck in this tribunal. That's why we've always thought that it would be a better approach to have to make it opt in, so that if people wanted to affirmatively opt in, that's fine. If they don't want to opt in, if they just don't know better and don't know that they're better off in federal court and that they don't end up before this tribunal by failing to opt out. There's a zillion studies that show the enormous difference between opting in and opting out and that how people, especially when don't really understand what's going on, are much more likely to fail to opt out. That would be the concern with this opt-out structure. You're going to end up with a lot of people who just don't know better in that tribunal.

DAVID CARSON: Steve, do you have something to say?

STEVEN TEPP: Yes. Thanks, David. Your question about the opt-out system, we've just seen the irony here. On one hand, it can be used by people who are infringers and just want to make it tougher for the copyright owner to enforce their rights. On the other hand, the people who oppose the CASE Act no matter how many changes were made, still say, "Oh, it's going to be ripe with abuse and trolls."

This notion of copyright trolls is one of the favorite bugaboos of the copyright-skeptic crowd. Of course, what's not clear when they're saying this is that there is no definition of what that is, but when I hear people talk about it, it

³³ Notice of Intention.

very often ends up being legitimate copyright owners who actually are pursuing actual infringements. To the extent that there are lawyers out there engaging in abusive litigation practices that violate federal rules, they've been sanctioned, and that's appropriate, and that's what the Federal Rules of Civil Procedure are for.

My view of the CASE Act is this, it's got so many safeguards against abuse: limitations on damages, the opt-out provision, and limitations on the number of cases a single complainant can bring. It is virtually impossible to imagine it would genuinely be a preferred option for abuse. It's also true that sophisticated infringers who are willing to gamble going to federal court may opt out. Of course, they are taking a gamble, because if the copyright owner decides to pursue the case in federal court, it's going to cost that defendant a lot more money to defend their case, just as it will cost the copyright owner a lot more money to pursue it. My view, in the end, is that the CASE Act provides a very good forum for genuine good-faith disputes. You're a copyright owner, you genuinely think I have infringed your rights, I genuinely think I didn't, and we're both looking for a simple way to resolve that. We can't reach an agreement on settlement, so we're going to go to the Copyright Claims Board and settle it there in a relatively efficient manner.

DAVID CARSON: Bob, you're a lawyer in private practice, you've represented plaintiffs and defendants. What role do you see for private practitioners in this system? Is it one where you really can't see much of a role for people who are necessarily going to have to charge their clients fees to represent them?

ROBERT BERNSTEIN: I really don't. I would prefer, if I could, to make a comment on a subject that has not yet been addressed, perhaps because it is often ignored in fair use decisions. That is whether the withholding of injunctive relief could reduce the tension between (a) the public interest in promoting the progress of the arts by protecting the exclusive rights of copyright owners, and (b) the public interest in the fair use of pre-existing works in the creation of new ones. If you go back to *Harper & Row*,³⁴ the Supreme Court, in *dicta*, observed that not every case is worthy of an injunction. Judge Leval commented in a Copyright Society Brace Lecture in 1989 that if an injunction had been sought in that case, the fair use analysis might have been different.³⁵

In *eBay v MercExchange*,³⁶ the Supreme Court held that four factors must be considered before granting injunctive relief. One of those factors – the public interest – would weigh against granting injunctive relief when the defendant's work, even if infringing, nevertheless provides significant cultural benefits. In that event, the plaintiff could still recover damages. Such an approach would encourage the courts to have more flexibility in balancing the diverse interests impacted by their copyright decisions.

DAVID CARSON: You obviously attended the Brace Lecture by my former partner Richard Dannay several years ago, and he articulated pretty much the same thought.

ROBERT BERNSTEIN: I have a copy in front of me.

³⁴ *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539 (1985).

³⁵ Pierre N. Leval, *Fair Use or Foul?*, 36 J. COPYRIGHT SOC'Y 167 [the 1989 Donald C. Brace Memorial Lecture].

³⁶ *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

DAVID CARSON: [laughs] Does anyone else have any views on that? Maybe to rephrase it a bit, a lot of fair use cases are tough calls. It could go one way or the other. Some cases are maybe what you might call marginal fair use cases. There's one way to deal with that – to say, "Fine, we're not going to say it's fair use, but we're also not going to issue an injunction. You can pay the copyright owner what the copyright owner is due, but you can continue to do it." Is that a way of dealing with those kinds of cases?

JONATHAN BAND: Yes, I agree. I think that's an appropriate solution, particularly for example in the *Warhol v. Goldsmith* case that we heard earlier. Even though I'm obviously pretty aggressively pro-fair use, I think that was an easy case. I think it was correctly decided especially because the photograph was created for precisely the purpose as a reference work for Andy Warhol's use and then he made 15 more pictures than he was allowed to. That was not remotely fair. At the same time, they're Warhols. You don't want to have an injunction, you want to make sure that they're publicly available. The fair use defense should fail, but it should be publicly available. No injunctive relief and the royalties and damages should be assessed. The part of it is to make sure that the damages are really reasonable. There was a license fee paid for one. He made 15, so 15 times the license fee adjusted for inflation would be a perfectly appropriate royalty in this case and that should resolve it.

DAVID CARSON: Does anyone think that's a terrible idea?

ROBERT BERNSTEIN: I'll tell you another reason why it's a good idea. In the front page of the Arts Section of the *New York Times* this week, a distinguished art critic talked about appropriation art, such as Andy Warhol's art, as benefiting society and the art world. If copyright does not recognize appropriation art as something that would not be infringing, then I think that in that case the lack of an injunction could be a public benefit.

DAVID CARSON: There's so much more we would have loved to talk about. I'm very sorry we weren't able to do it. It's a fascinating discussion. Hopefully, we can continue in some other forum.