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MIXED SIGNALS: TAKEDOWN BUT DON'T FILTER? A  
CASE FOR CONSTRUCTIVE AUTHORIZATION

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*Scribd, a social publishing website, is being sued for copyright infringement for allowing the uploading of infringing works, and also for using the works themselves to filter for copyrighted work upon receipt of a takedown notice. While Scribd has a possible fair use defense, given the transformative function of the filtering use, Victoria Elman and Cindy Abramson argue that such filtration systems ought not to constitute infringement, as long as the sole purpose is to prevent infringement.*

American author Elaine Scott has recently filed suit against Scribd, alleging that the social publishing website “shamelessly profits” by encouraging Internet users to illegally share copyrighted books online.<sup>1</sup> Scribd enables users to upload a variety of written works much like YouTube enables the uploading of video

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The views expressed in this article are those of the authors and do not reflect the official policy or position of Morrison & Foerster, LLP.

<sup>1</sup> Complaint at 4, Scott v. Scribd, No. 4:09-cv-03039 (S.D. Tex. filed Sept. 18, 2009).

content.<sup>2</sup> The content uploaded to the Scribd website is then accessible and downloadable by anyone who becomes a free member of the site. Scribd claims that its Copyright Management System (“CMS”) goes “beyond the requirements set forth by U.S., UK, and EU law.”<sup>3</sup> While the implementation of a copyright filter is not mandated by the Digital Millennium Copyright Act (“DMCA”),<sup>4</sup> it has been *encouraged* by courts in recent litigation determining Internet Service Provider (“ISP”) liability.<sup>5</sup> Despite the fact that courts encourage the use of filters, Scott’s second claim alleges that Scribd’s use of the copyrighted work to filter infringing copies itself constitutes “ongoing and permanent” infringement without permission or compensation to the author.<sup>6</sup> On one hand, the suit attacks Scribd for allowing the uploading of infringing works; on the other, it claims that Scribd’s attempts to filter the website of these infringing works without explicit permission from the copyright holders is itself infringing.

### FAIR USE?

As many commentators have pointed out, the fair use doctrine is likely to hold up in a court of law with respect to this second counterintuitive claim that filtering itself is a copyright violation.<sup>7</sup> A key factor in determining fair use is the

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<sup>2</sup> YouTube has also been embroiled in copyright infringement litigation. In 2007, Viacom Inc. sued YouTube and its corporate parent Google Inc. for alleged copyright infringement and sought over \$1 billion in damages. See Frank Ahrens, *Viacom Sues YouTube Over Copyright*, Wash. Post, Mar. 14, 2007, at D2, available at <http://www.washingtonpost.com/wp-dyn/content/article/2007/03/13/AR2007031300595.html>.

<sup>3</sup> Scribd Copyright Management System, <http://www.scribd.com/copyright>.

<sup>4</sup> The DMCA currently provides a safe harbor to ISPs who lack knowledge or apparent knowledge of infringing works and who expeditiously remove an infringing work once knowledge is obtained. 17 U.S.C. § 512(c) (2008).

<sup>5</sup> See *MGM Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 939 (2005) (“This evidence of unlawful objective is given added significance by MGM’s showing that neither company attempted to develop filtering tools or other mechanisms to diminish the infringing activity using their software. While the Ninth Circuit treated the defendants’ failure to develop such tools as irrelevant because they lacked an independent duty to monitor their users’ activity, we think this evidence underscores Grokster’s and StreamCast’s intentional facilitation of their users’ infringement.”).

<sup>6</sup> Complaint at 9, *Scott v. Scribd*, No. 4:09-cv-03039 (S.D. Tex. filed Sept. 18, 2009). “Without permission of the authors, Scribd maintains copies of authors’ works for use in a copyright protection system . . . [O]nce a copyrighted work is uploaded to Scribd without . . . permission, the infringement is ongoing and permanent. Even if the work becomes unavailable for download by users, Scribd illegally copies the work into its copyright protection system, without permission or compensation to the author.”

<sup>7</sup> See Ashby Jones, *A Copyright Head-Scratcher*, *Courtesy of Kiwi Camara*, Wall St. J. Law Blog, Oct. 1, 2009, at <http://blogs.wsj.com/law/2009/10/01/the-latest-copyright-head-scratcher->

purpose and character of the alleged infringer's use. The more transformative, or how different the purpose or function is from the original work, the more likely it is to constitute fair use. Two recent cases suggest that Scribd's use of copyrighted works to filter is highly transformative. In *Perfect 10 v. Amazon*, the Ninth Circuit held that the use of thumbnail images for operating a comprehensive search engine was transformative because while the image may have been created to serve an entertaining or aesthetic function, the search engine "transforms the image into a pointer directing a user to a source of information."<sup>8</sup> In *A.V. v. iParadigms*, the Fourth Circuit held that the use of archiving an essay to check whether other essays are plagiarized was transformative despite the argument that this new use did not add anything to the original work.<sup>9</sup> Because Scribd has a strong argument for transformativeness and there is currently no effect on the market for the copyrighted work—in that copyright owners do not sell or license their works for profit in exchange for inclusion in filtering databases—Scribd is likely to win on the grounds of fair use. However, in looking at the purpose of the DMCA and the courts' encouragement of filtration to remain in compliance, it seems that a court could find instead that the use of a copyrighted work in a filtering database is really no infringement at all.

### FILTRATION SYSTEMS: THE STATUS QUO

Due to the concern in protecting themselves from third party liability under the DMCA, many ISPs have begun to either develop their own filters or to hire third parties to filter their sites for infringing works. Scribd's CMS is managed in house.<sup>10</sup> This system is populated either when a copyright owner submits her work to be included in the database or when Scribd receives a DMCA takedown notice from the copyright holder.<sup>11</sup> Once the takedown notice is received by Scribd the company not only removes the infringing work but also creates a reference of that work that is included in the filtering database—the act that Scott alleges is a copyright violation.<sup>12</sup> This is a counterintuitive claim in a world where some

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courtesy-of-kiwi-camara (last visited Oct. 25, 2009); David Kravets, *Lawsuit: Copyright Filtering Technology Infringes*, *Wired*, Sept. 21, 2009, <http://www.wired.com/threatlevel/2009/09/infringingfiltering> (last visited Oct. 25, 2009).

<sup>8</sup> *Perfect 10, Inc. v. Amazon.com, Inc.*, 487 F.3d 701, 721 (9th Cir. 2007).

<sup>9</sup> *A.V. v. iParadigms*, 562 F.3d 630 (4th Cir. 2009).

<sup>10</sup> Scribd Copyright Management System, <http://www.scribd.com/copyright> (last visited Oct. 25, 2009).

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

copyright owners will actually pay for their works to be included in third-party filtering services which then charges additional fees for ISPs to use their service.<sup>13</sup>

### **WHY USE OF A COPYRIGHTED WORK IN A FILTERING DATABASE IS NOT INFRINGEMENT**

In order for the fair use argument to arise, there must be an infringement in the first place. However, it seems that a court could avoid the fair use avenue of analysis altogether in tackling Scott's counterintuitive claim. One purpose of the DMCA is to provide protection to copyright owners whose works are constantly being infringed on the ever-expanding social networks and sharing sites. Moreover, courts have time and time again looked to filtering systems as a way in which ISPs can avoid third-party liability. If filtering is the best means by which an ISP can protect itself then it should not be prevented from doing so. While not mandated, filtering is seen as a shield against liability.<sup>14</sup> Lastly, copyright owners are themselves sending takedown notices urging ISPs to prevent the infringing activity on their websites. One common sense solution to this issue is to view a copyright owner's takedown notice as constructive authorization for an ISP to proactively prevent the infringing work from being re-posted by using the work (or a reference of the work) in a filtering system. This would not be the first time that a court had to step in to avoid a "confusing, self-contradictory catch-22 situation . . . particularly when there is a much simpler explanation."<sup>15</sup>

### **THE FUTURE OF BUILDING A FILTERING DATABASE**

There is a seemingly infinite number of copyrighted works that desire protection against infringement. Gaining access to (and thus the ability to filter for) 100% of these works is a challenge impossible to demand of any ISP. Currently, filtering databases are populated by free or paid submissions by copyright holders either directly to an ISP or to a third party filtering operator. In an attempt to expand its database to include works that it knew wanted protection, Scribd chose to expand its database by including in it works for which it had received DMCA takedown notices. As the need and desire for filtering increases so must the size of the database. To limit one's ability to expand that database would be to further complicate the growing demands that ISPs stop infringement

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<sup>13</sup> Audible Magic is one such service that filters copyrighted audio and video works. Audible Magic Protecting Creative Works, <http://www.audiblemagic.com/products-services/registration>.

<sup>14</sup> See *Grokster*, 545 U.S. at 939.

<sup>15</sup> *UMG Recordings, Inc. v. Veoh Networks, Inc.*, No. CV 07-5744, 2009 U.S. Dist. LEXIS 86932, at \*42-43 (C.D. Cal. Sept. 11, 2009) (citing *Ellison v. Robertson*, 189 F. Supp. 2d 1051, 1061 (C.D. Cal. 2001); *Perfect 10, Inc. v. CCBill LLC*, 488 F.3d at 1114).

before it starts. There should be as few hurdles as possible to an ISP's access to these works, so long as the sole purpose is to filter out infringing content.

# ELITE KNOCKOFFS AND NASCENT DESIGNERS

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*The current debate over increased protection for fashion design is largely focused on whether additional protection is necessary or if it is actually counter-productive for the industry. The proper contrast is between protection of authorship versus protection of reputation. David Faux argues that, while elite design houses enjoy some tools for protecting their reputations, beginning designers need legislation that will enable them to enforce rights based on notions of authorship.*

## I. INTRODUCTION

The current debate over increased protection for fashion design is largely focused on a dichotomy: whether additional protection is necessary or if it is actually counter-productive for the industry. This dichotomy is false. The proper contrast is between protection of authorship versus protection of reputation. In short, while elite design houses enjoy some tools for protecting their reputations, beginning designers need legislation that will enable them to enforce rights based on notions of authorship.

Underlying this article is the assumption that fashion designs deserve copyright protection. Each design has a unique “character,”<sup>1</sup> and expresses a point

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<sup>1</sup> See Shelley C. Sacker, *Art Is In the Eye of the Beholder: A Recommendation for Tailoring Design Piracy Legislation to Protect Fashion Design and the Public Domain*, 35 AIPLA Q.J. 473, 474 (2007) (confirming that it is “well understood that the chief value of a ‘quality’ of dress lies not so much in the quality of the materials as in the smartness and originality of design”).

of view.<sup>2</sup> Combine these original expressions with the fact that clothing is a tangible form, and it seems obvious that fashion designs are copyrightable material.

## II. THE CURRENT DEBATE

The current debate over design protection revolves around two main writings: the Design Piracy Prohibition Act (the “DPPA” or the “Act”) and “The Piracy Paradox: Innovation and Intellectual Property in Fashion Design.” While the detailed pros and cons of each document are beyond the scope of this article, it is important to give a brief overview of their positions and terms, since they define so much of the current debate.

### A. *The DPPA*

The DPPA is currently in committee. If passed, it will give copyright protection to designs for three years after first made public.<sup>3</sup> This is long enough to conceive, develop, produce, market, and sell a design, perhaps with time left over for brief subsidiary licensing.<sup>4</sup>

The Act also allows for substantial damages. Recovery for finally adjudicated infringement would amount to “\$250,000 or \$5 per copy,” giving fashion designers a significant prospect for the lawyer who accepts cases on contingency.<sup>5</sup>

While each part of the DPPA has its share of controversy, probably the most universal concern is over the definitions of “fashion design” and “apparel.” “Fashion design” is defined as “the appearance as a whole of an article of apparel, including its ornamentation.”<sup>6</sup> “Apparel” is defined as “(A) an article of men’s, women’s, or children’s clothing, including undergarments, outerwear, gloves,

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<sup>2</sup> MARY GEHLHAR, *THE FASHION DESIGNER SURVIVAL GUIDE*, 60, Kaplan Publishing (2008), (instructing that a “designer needs a signature point of view to differentiate his line from others and make it special”).

<sup>3</sup> H.R. 2196, 111th Cong. § 2(d) (2009).

<sup>4</sup> GEHLHAR, at 36 (stating that a designer should, in October of 2008, “[b]egin designing and ordering fabrics for Fall 2009”); *Labels for Less*, N.Y. POST, Sept. 2, 2006, at 10 (suggesting designers require eighteen to twenty-four months to express their ideas in sketches and move them to final manufacture).

<sup>5</sup> H.R. 2196, at § 2(g).

<sup>6</sup> *Id.*, at § 2(a).

footwear, and headgear; (B) handbags, purses, and tote bags; (C) belts; and (D) eyeglass frames.”<sup>7</sup>

### *B. The Piracy Paradox*

“The Piracy Paradox” is a 2006 article essentially arguing that “free appropriation” in fashion does not stifle innovation, but “may actually promote innovation and benefit originators.”<sup>8</sup> This is accomplished through “induced obsolescence” and “anchoring.”

“Induced obsolescence” is where “free appropriation speeds diffusion and induces more rapid obsolescence of fashion designs,” causing a need for more frequent innovation.<sup>9</sup> “Anchoring” refers to a process whereby rampant copying within a season helps to define that season’s trends. Consumers follow the trends until another innovation occurs. At this point, rampant copying takes place and a new trend is born.<sup>10</sup>

Like the DPPA, “The Piracy Paradox” has been quite controversial. In her article, “The Double-Edged Scissor: Legal Protection for Fashion Design,” Emily S. Day sets forth what have become the major critiques of the Piracy Paradox.<sup>11</sup> Namely, she states that Raustiala and Sprigman assume incorrectly that “all fashion designs are ‘status goods’ whose brand name is commonly recognized.”<sup>12</sup> Second, they also make the false assumption that “the designers themselves could not generate the same economic benefits through intellectual property protection and their own production of ‘copies’ through the use of lower-priced bridge lines.”<sup>13</sup> Third, they do not address the problems created when the counterfeits and knockoffs supposedly benefitting the economy are actually “counterfeits and knockoffs of clearly inferior quality.”<sup>14</sup>

These critiques should be expanded to include another: proponents of the Piracy Paradox assume inferior quality knockoffs of elite-house designs to be qualitatively the same as the design theft by more established, “legitimate”

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<sup>7</sup> *Id.*

<sup>8</sup> Kal Raustiala & Christopher Sprigman, *The Piracy Paradox: Innovation and Intellectual Property in Fashion Design*, 92 Va. L. Rev. 1687, 1691 (2006).

<sup>9</sup> *Id.*, at 1722.

<sup>10</sup> *Id.*, at 1729.

<sup>11</sup> Emily S. Day, *Double-Edged Scissor: Legal Protection for Fashion Design*, 86 N.C.L. Rev. 237 (2007).

<sup>12</sup> *Id.*, at 260.

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

corporations against beginning designers. The significance of this assumption is that if they are not qualitatively the same, then these different offenses likely require different responses. That is to say, elite design houses have established reputations and, thus, can fend for themselves under existing intellectual property law. They already have the resources (relative to what start-up houses have) to pursue those claims. Of course, established houses will not be precluded from the benefit of any legislation that bolsters protection for fashion design. In contrast, the beginning designers require more; they require protection not based exclusively on reputation.

This implies a focus wherein fashion design protection should not rest on cheap knockoffs of established brands. Like in the DPPA, protection should address quality knockoffs of designs stolen from the anonymous hopefuls, the nascent designers.

### III. DIFFERENT INFRINGEMENTS

#### A. *The Policy Against Reputation Infringement*

The policy against knockoffs is predominantly trademark-based. Trademarks “foster competition and the maintenance of quality by securing to the producer the benefits of good reputation.”<sup>15</sup> They help “assure a producer that it (and not an imitating competitor) will reap the financial reputation-related rewards associated with a desirable product.”<sup>16</sup>

At its most basic level, the significance of a positive commercial reputation is that it makes a market more efficient.<sup>17</sup> To wit, consumers need not take too much time shopping for, e.g., tissue paper if they know they will purchase decent quality from Kleenex®. Similarly, when an elite fashion house discovers inferior quality knockoffs of its brands, its main concern is about damage to its good will with the consumers. This reputation-based protection does not address situations where the design is stolen from one prior to establishing her reputation as a nascent designer.

Of course, established designers still have whatever copyright, patent, or other laws at their disposals. And because they are established, they not only have reputations, but cash flows superior to nascent designers. In other words, these elite

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<sup>15</sup> Park ‘N Fly, Inc. v. Dollar Park and Fly, Inc., 469 U.S. 189, 198 (1985).

<sup>16</sup> Qualitex Co. v. Jacobson Products Co., Inc., 514 U.S. 159, 164 (1995).

<sup>17</sup> William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. ECON. 265, 275 (1987).

houses are already better situated within existing law to address the infringements that concern them the most.

Probably one of the most famous court cases of fashion infringement is fifteen years old and took place in France. In *Société Yves Saint Laurent Couture S.A. v. Société Louis Dreyfus Retail Mgmt. S.A.*, Yves Saint Laurent successfully sued Ralph Lauren for infringement of its tuxedo dress.<sup>18</sup> But even in the States, the larger names are able to choose their moments to engage civil actions. For instance, Diane von Furstenberg, LP and Ann Sui Corp. have both sued Forever 21, Inc. for various replications of their designs.<sup>19</sup>

### *B. The Policy Against Authorship Infringement*

A nascent designer, by definition, has no reputation. Therefore, the policy behind such protection must arise from a different perspective. The most common foundations for protecting copyrightable work are the “incentive theory” and “natural rights” theories.

The “incentive theory,” which, while “the immediate effect . . . is to secure a fair return for an author’s creative labor,” has the ultimate aim of “by this incentive, to stimulate artistic creativity for the general public good.”<sup>20</sup> More explicitly, the purpose of copyright law, then, is not to reward the individual artist for her contribution, “not to reward the labor of authors, but ‘to promote the Progress of Science and useful arts.’”<sup>21</sup> As such, one significant component of copyright protection is that it lends itself to public benefit rather than market efficiency.

The “natural rights” theories have the ultimate aim of fairness towards an originating innovator, in this case the artist. This notion of connecting copyright to an individual’s innovation upon nature comes from John Locke’s *Two Treatises of Government*.<sup>22</sup> Specifically, it is rooted in the notion that when someone applies personal labor to a thing in nature, that thing becomes her property.<sup>23</sup> In this way,

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<sup>18</sup> *Société Yves Saint Laurent Couture S.A. v. Société Louis Dreyfus Retail Mgmt. S.A.*, [1994] E.C.C. 512, 514 (Trib. Comm.) (Paris).

<sup>19</sup> Complaint of Plaintiff, *Diane von Furstenberg v. Forever 21*, No. 07-CV-2413 (SDNY Mar. 23, 2007); *Anna Sui v. Forever 21*, 2009 U.S. Dist. LEXIS 33044 (SDNY 2009).

<sup>20</sup> *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975).

<sup>21</sup> *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340, 349 (1991) (quoting U.S. Const. art. 1, § 8, cl. 8).

<sup>22</sup> Nimmer, on Copyright, §2.02 The Subject Matter of Common Law Copyright.

<sup>23</sup> JOHN LOCKE, *TWO TREATISES OF GOVERNMENT* (1690), Chapter V. (Of Property), §27, stating, “Whatsoever then he removes out of the state that nature hath provided

the Lockean component infuses copyright law with natural rights and fairness, rather than market efficiency.

### *C. The Specific Problem of Authorship Infringement*

As stated above, the elite fashion houses have recourse against pirates by protecting their reputations through trademark litigation, making their situations remarkably different from the plight of nascent designers. Yet, this difference appears to have been lost on proponents of the Piracy Paradox: they only consider the elite designer's perspective. Indeed, proponents describe the fashion industry as "a school of fish moving first this way and then that, [wherein] fashion designers follow the lead of other designers in a process that, while bewildering at times, results in the emergence of particular themes."<sup>24</sup>

Specifically, though, these proponents state that piracy drives *the elite fashion houses* towards evermore innovation.<sup>25</sup> Supposedly, a trend only "trickles down" from the elite houses to the "less expensive retailers."<sup>26</sup> This belief is flushed out by these proponents' examples. They quote Miucci Prada as stating, "We let others copy us. And when they do, we drop it."<sup>27</sup> They point out that the Chanel label, though unable to stop other firms from copying its designs, is doing fine as a business.<sup>28</sup>

Established houses, though, often find innovation among nascent designers.<sup>29</sup> It is *these* designers that need protection through additional legislation. Certainly such instances are well-documented.<sup>30</sup>

and left it in, he hath mixed his labour with, and joined to it something that is his own, and thereby makes it his property."

<sup>24</sup> Raustiala & Sprigman, at 1721.

<sup>25</sup> Anya Jenkins Ferris, *Real Art Calls for Real Legislation: An Argument Against Adoption of the Design Piracy Prohibition Act*, 26 CARDOZO ARTS & ENT. L.J. 559, 579 (2008); *Trademark Law: An Economic Perspective*, 30 J.L. ECON. 265, 275 (1987) (asserting that "the fashion industry *overall* continues to profit and to produce new original lines of apparel") (emphasis added).

<sup>26</sup> Laura C. Marshall, *Catwalk Copycats: Why Congress Should Adopt a Modified Version of the Design Piracy Prohibition Act*, 14 J. INTELL. PROP. L. 305, 313 (2007).

<sup>27</sup> Raustiala & Sprigman, at 1722 (quoting "The Look of Prada," IN STYLE MAGAZINE, Sept 2003 at 213).

<sup>28</sup> Raustiala & Sprigman, at 1723.

<sup>29</sup> Susan Scafidi, *Design Piracy Prohibition Act: Historical Regression*, [http://www.counterfeitchic.com/2008/03/design\\_piracy\\_prohibition\\_act\\_h.php](http://www.counterfeitchic.com/2008/03/design_piracy_prohibition_act_h.php) (affirming, "Some big companies have grown wealthy by copying small-scale creative designers, and they don't particularly want to stop").

For example, designer Narcisco Rodriguez designed a dress for Carolyn Kennedy that was famously copied before he could make copies of the original designs for himself.<sup>31</sup> Day also recounts the story of Ananas, a handbag label whose design by “a young wife and mother working from home, was knocked off. An identical design was offered at a lower price on the Internet. As a direct result, a buyer cancelled his wholesale order and an independent customer bought the cheaper counterfeit version online instead.”<sup>32</sup> Clearly, the elite houses and nascent designers have different concerns.

#### IV. DIFFERENT REACTIONS

Without increased protection for nascent designers, protection will be available only to those who can prove they have purposefully built reputations: trademark holders with the resources available to support a civil suit. This means only established houses currently enjoy protection, at times to the exclusion of their younger competitors.

By allowing the established houses the advantages of “free appropriation” while allowing them to defend claims based on reputation, the current law prioritizes an efficient economy over innovation and fairness. Not only does this stunt industry advancements, but it also leads to a facile monopoly. The general consensus states that monopolies, while efficient,<sup>33</sup> are outweighed by their imperfections.<sup>34</sup>

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<sup>30</sup> See Marshall at 306 (stating that “designers at *all levels of renown* have seen their designs replicated by large companies before the originals even make it onto the retail market” (emphasis added)).

<sup>31</sup> Rosemary Feitelberg, “Schumer Tours Plan to Fight Design Theft,” *WOMEN’S WEAR DAILY*, Aug. 9 2007, at 12.

<sup>32</sup> Day, at 2; Marshall, at 313.

<sup>33</sup> See Mark Cooper, Ph.D., *Perspectives on Antitrust Law: Anti trust as Consumer Protection in the New Economy: Lessons from the Microsoft Case*, 52 *Hastings L.J.* 813, 822 (2001) (discussing the theory that monopoly “does not lead inevitably to a bad economic outcome for society. Sometimes an industry develops in such a way that monopoly is not only a likely outcome but a desirable one”); F.M. SCHERER & DAVID ROSS, *INDUSTRIAL MARKET STRUCTURE AND ECONOMIC PERFORMANCE*, 4, Chicago, Rand McNally (1990) (arguing that “firms need protection from competition before they will bear the risks and costs of invention and innovation, and a monopoly affords an ideal platform for shooting at the rapidly and jerkily moving targets of new technology”).

<sup>34</sup> See Sidney A. Shapiro and Joseph Tomain, *Realizing the Promise of Electricity Deregulation: Article: Rethinking Reform of Electricity Markets*, 40 *Wake Forest L.Rev.* 497, 507-08 (2005) (discussing the problems of utility monopolies as requiring government intervention despite their benefits).

For example, certain industries such as oil, steel, and the railroads, can be best run by monopoly due to the limited nature of the involved resources. Even President Theodore Roosevelt—the grand trust-buster himself—had distinguished between “bad trusts, which gouged consumers, and good trusts, which offered fair prices and good service.”<sup>35</sup> Nevertheless, the United States specifically chose a sense of fair competition over efficiency through the Sherman and Clayton Acts, even in the face of finite resources.<sup>36</sup>

With an industry like fashion design, where the main resource—creativity—is unbounded, it makes even less sense to allow a monopoly, actual or facile. Efficiency aside, a worse economy results when established houses hoard innovation, allowing their influences to trickle down upon the anonymous designers from whom they may have stolen these copyrightable expressions in the first place.

Others argue that increased protection via legislation like the DPPA will not have any positive effect on the fashion industry. For example, some say that where better protection exists, such as in the European Union, the fashion designers do not use it.<sup>37</sup> One scholar goes further to state that “there is no indication that such protections successfully hinder design piracy.”<sup>38</sup> However, any copyright lawyer can relay story after anecdote about clients learning the hard lesson that having rights and enforcing them are two entirely different animals.<sup>39</sup> <sup>40</sup> If frequency of use were a criterion for enacting a law, the entire Copyright Act would be jeopardized.

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<sup>35</sup> RON CHERNOW, *TITAN: THE LIFE OF JOHN D. ROCKEFELLER, SR.* 433 (Vintage Books 1999) (1998); see BRUCE BRINGHURST, *ANTITRUST AND THE OIL MONOPOLY: THE STANDARD OIL CASES, 1890-1911* 121 (Greenwood Press 1979).

<sup>36</sup> SHERMAN ACT § 1 et seq. (1890); CLAYTON ACT § 1 ET SEQ. (1914).

<sup>37</sup> Day at 12-13; Raustiala & Sprigman, at 1740.

<sup>38</sup> Sacker, at 480.

<sup>39</sup> E.g., Kimball Tyson, *The Illegal Art Exhibit: Art of Exploitation? A Look at the Fair Use Doctrine in Relation to Corporate Degenerate Art*, 9 Comp. L. Rev. & Tech. J. 425, 453 (2009) (describing how even corporate lawyers “agree that lawsuits against” potential infringers are rare); Emily Cunningham, *Protecting Cuisine Under the Rubric of Intellectual Property Law: Should the Law Play a Bigger Role in the Kitchen?*, 9 J. High Tech. L. 21, 41 (2009) (characterizing as rare suits among authors of cookbooks even “in instances in which professional cooks publish recipes that are blatant copies”).

<sup>40</sup> Julie P. Tsai, *Fashioning Protection: A Note on the Protection of Fashion Designs in the United States*, 9 LEWIS & CLARK L. REV. 447, 449 (2005).

## V. CONCLUSION

Ideally, there would be easier ways to protect fashion designs from piracy. For example, the Copyright Office could have a registry of fashion designs with imagery and a similar keyword/search structure to that used by the Trademark and Patent Office. Perhaps we could determine the exact statutory rewards that would perfectly balance against the risks and upfront costs of litigation. Maybe the correct minimum statutory damages awarded would maintain a low number of weak actions, while allowing the maximum number of bona fide disputes. Whatever the solution, it must involve better access to the courts for nascent designers.

In that way, the DPPA is a step in the right direction. Placing increased protection for designs in the realm of copyright opens recourse to those with little to no assets in terms of reputation or finance. Adjusting the typical \$150,000 of statutory damages per infringement to \$250,000 or \$5 per copy may balance the rewards and risks of litigation enough to bring forward bona fide disputes. Thus, both “inferior” and “elite” pirates will be on notice that there is more to success in a good economy than having and using an innovative piece of intellectual property—that property must also be owned by them through authorship or a proper license.

# A NEW MODEL FOR MUSIC FINANCE

BY JOSH KAPLAN<sup>\*</sup>

*Josh Kaplan proposes an alternative business model to the “360 deal.” By taking advantage of finance structures more traditionally employed by software and tech start-ups, musicians can partner with equity investors to raise capital, while avoiding the obligations that often arise in contracts between record labels and artists.*

In recent years, the music industry has morphed at an alarming pace. The music label system has failed to evolve with equal speed, and the result is the demise of the music label and its surrounding infrastructure. The music label system has traditionally sold physical records at inflated prices while sharing a very small percentage of such sales with the musician. With the advent of digital music, the utilities that the labels possess have become available to any musician with a good internet connection. A band no longer needs a label to manufacture, promote and distribute its new LP.

Today’s indie bands are resourceful, and tap into every free and inexpensive resource readily available. Bands utilize websites, social networking tools, street teams, e-stores and digital distribution companies to “break” into the business. Even still, the band needs one thing to take it to a national or international level: money.

In the past, artists would access such capital by signing with a label in exchange for a loan, creatively coined an “advance.” The band, excited by the prospect of national exposure, would give the label the rights to its music and its name, with a contractual obligation to provide the label with six to ten more

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albums. The label would then control the manufacture, release and promotion of the band's music. Any royalties that the band received from the sale of its music would be credited toward the "advance" that the band initially received from the label. The label would also reimburse itself for expenses incurred in producing and exploiting the record. Consequently, the band would remain in debt for the length of its contract with the label, and sometimes for years after.

Physical record sales have been steadily declining for the past decade. Digital sales will soon eclipse physical sales.<sup>1</sup> In order to re-capture the bloated advances and investments that labels made in artists' physical records, labels' legal departments have constructed the "360 record deal."

In a 360 deal, the label lures a band to sign with the promise of an advance and label support. A percentage of all revenue generated by the band – from record and merchandise sales, touring, licensing, video and book sales, music rights, etc. – goes to the label. Regardless of the amount of money the label spends on the band or the band's development in activities outside of music, the band (and usually the individual band members) will owe a percentage of its earnings for a set amount of time to the label. The advance that the label initially paid to entice the band to sign still functions as a loan that the band must repay to the label.

The new generation of do-it-yourself musicians has an understandably tough time stomaching the terms of a 360 deal. How can a band "take the next step" without signing such a deal?

In a recent trend that has emerged from the rubble of the label system, an independent investor looks to capitalize on the work that an independent musician has already accomplished. Recognizing buzz bands as valuable and legitimate start-ups, savvy individuals and companies increasingly try their hands in the music business. They bring with them corporate experience and non-industry lawyers, and have developed new models for signing, developing and exploiting independent bands. The investment model that has been used for decades by most other industries in the United States is thus finally making its way into the stubborn music industry.

The best corporate vehicle to establish a partnership between an investor and a musician is the limited liability company ("LLC"). A band will have normally incorporated an LLC prior to soliciting an investment. In this scenario, we will

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<sup>1</sup> Casey Johnston, *US Digital Music Sales to Eclipse CDs by 2010*, <http://arstechnica.com/media/news/2009/08/global-digital-music-sales-to-overtake-physical-by-2016.ars>.

refer to the band's LLC as "Band LLC," and assume it is owned jointly by the band members. The investor will also have established a corporate entity through which it will make its investment. We will refer to the investor's company as "Investor LLC."

A third entity – typically another LLC – will be formed for purposes of the investment. We will call this third entity "Partners LLC." Band LLC will be the initial owner (i.e. Member) of Partners LLC, and will assign and transfer all of its assets, copyrights, trade names and other intellectual property to the new entity. Band LLC, together with its legal and managerial team, will then determine the amount of ownership it is willing to cede in exchange for Investor LLC's investment of money into Partners LLC. Let us assume that Band LLC decides to give Investor LLC 25% ownership in Partners LLC in exchange for an investment of \$100,000.

It is important to note that ownership percentages do not necessarily determine the way that a company's profits are split. In a risky business investment such as ours, Investor LLC will expect to recoup its capital contribution (\$100,000) in Partners LLC plus a preferred return (for example, ten percent of the initial \$100,000) before Band LLC receives any distribution of profit. After recoupment, the profits may continue to slant in favor of Investor LLC, but should gradually move toward division based on ownership percentages of Partners LLC. During the time that Investor LLC is receiving all of Partners LLC's profits, the musicians themselves make ends meet via salary. The members of Band LLC work for Partners LLC by performing, recording, making appearances, and developing new merchandise, and will thus draw a reasonable salary from Partners LLC until Band LLC starts to earn income from Partners LLC's profit distributions. Depending on the needs of Band LLC, a sizeable percentage of Investor LLC's capital contribution will cover the living expenses of the band members.

Partners LLC will derive its income from the band's activities. From royalties to touring to licensing to merchandise sales, all income will go into the Partners LLC pot. If Partners LLC is successful, the distribution of profits will enable Investor LLC to fully recoup its capital contribution plus make handsome profit. Investor LLC's investment will allow Band LLC to purchase equipment, tour, work with a producer, secure a distribution arrangement, and get to the "next level" without falling into the deep debt that would result from a 360 deal.

If we take this plan long term, there may be situations where Band LLC requires an additional investment (for example, to record and release a new album). Rather than giving up more and more ownership of Partners LLC, Band

LLC can reinstate the same “waterfall” distribution scenario with a preferred return. This will allow an investor to feel more secure in its investment and allow Band LLC to keep the ownership percentage of Partner LLC at the status quo.

If the relationship does not go well and Investor LLC does not recoup its investment in Partners LLC, the capital contribution will not function as a loan and Band LLC will not be responsible or liable for repayment. If Band LLC is concerned with partnering with Investor LLC for a long period of time, other distribution terms may be established. For example, once Investor LLC has received a 150% return on its investment, it may be removed as a Member of Partners LLC. Band LLC could also cap the profits of Investor LLC or limit the participation of Investor LLC through this structure.

For today’s DIY bands that continue to work tirelessly on developing their music into a viable business, this type of structure may be ideal. It is a true partnership that allows for a lot of flexibility between the investor and the band. It provides a band with capital that is needed to hire a good public relationship firm, purchase advertisements, hire the right producers and properly exploit its music and merchandise, all without the constraints and the bureaucracy of the label system. If handled properly, such an investment structure may be the model for the “new” music industry.

# GIRL TALK, FAIR USE, AND THREE HUNDRED TWENTY-TWO REASONS FOR COPYRIGHT REFORM

BRIAN PEARL\*

*The music of the artist known as Girl Talk consists of hundreds of pre-existing samples taken without permission from popular songs. As Girl Talk becomes more prominent, lawyers, journalists and bloggers have entered the debate regarding whether the use of pre-existing samples from copyrighted works is a “fair use” as defined in the U.S. Copyright Act of 1976. Brian Pearl analyzes the merits of the “fair use” argument in light of sparse and largely unsympathetic case law regarding music sampling and ultimately concludes that Girl Talk’s use of pre-existing samples fails to qualify as a “fair use.” The Article further proposes an amendment to the Copyright Act that would enable Girl Talk to record legally while fairly compensating the owners of the sampled works.*

## I. INTRODUCTION

Girl Talk is the self-imposed moniker of Pittsburgh, Pennsylvania-based artist Gregg Gillis. Since his first album, “Secret Diary,”<sup>1</sup> Gillis’s work has evolved from glitch-heavy electronic music interspersed with pre-existing samples to a collage of the most recognizable (and dance-able) moments from hit songs spanning decades as well as musical genres.<sup>2</sup> “Night Ripper,” the third Girl Talk album, pushed Girl Talk out of the underground and onto the pages of magazines including Rolling Stone, Blender, and SPIN.<sup>3</sup> Influential taste-maker Pitchfork Media fawned over “Night Ripper,” calling the album a “voracious music fan’s dream: a hulking hyper-mix designed to make you dance.”<sup>4</sup> “Night Ripper” also enabled Gillis to accomplish every musician’s goal – quitting his day job.<sup>5</sup>

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<sup>1</sup> Girl Talk, *Feed the Animals* (Illegal Art 2002).

<sup>2</sup> Girl Talk, *Night Ripper* (Illegal Art, June 19, 2008); Girl Talk Bio, [http://windishagency.com/artists/girl\\_talk/bio](http://windishagency.com/artists/girl_talk/bio) (last visited Oct. 10, 2009).

<sup>3</sup> *Id.*

<sup>4</sup> Sean Fennessey, Review of “Night Ripper”, Pitchfork Media, Jul. 17, 2006, [http://www.pitchforkmedia.com/article/record\\_review/37357-night-ripper](http://www.pitchforkmedia.com/article/record_review/37357-night-ripper).

<sup>5</sup> Rob Walker, *Mash-Up Model*, N.Y. Times, July 20, 2008, §MM (Magazine), at 15.

Gillis spent much of 2007 on tour, playing major festivals as well as a string of sold out headlining shows in larger and larger venues.<sup>6</sup> The constantly evolving Girl Talk live show became the basis for the fourth Girl Talk album, “Feed the Animals.” “Feed the Animals,” Gillis’s most ambitious work to date, was released online by Illegal Art on June 19, 2008, utilizing the “pay-what-you-want” model first implemented by Radiohead for their 2007 album “In Rainbows.”<sup>7</sup> Fans who chose to pay ten dollars or more received a compact disc along with an official list of all three hundred twenty-two samples used on “Feed The Animals.”<sup>8</sup> Like “Night Ripper,” “Feed the Animals” received an enthusiastic response from critics, earning a spot on many best-albums-of-2008 lists, including year-end lists from Blender Magazine and The Boston Globe.<sup>9</sup> Meanwhile, Girl Talk’s live audience has continued to grow, as evidenced by a three-night stint of sold-out shows at New York’s 3000-capacity venue, Terminal 5 in November, 2008.<sup>10</sup>

In interviews, Gillis explains his method as simply another step down the path that was forged by the musicians, rappers, and producers whose music Girl Talk samples.<sup>11</sup> Just as a young guitarist hones his or her craft by “basically collaging together ideas...whether it’s from playing Nirvana songs or blues guitar,” Gillis collages samples together on his laptop computer in what he calls “a very physical extension of that art form.”<sup>12</sup> Gillis also sees his work as a sign of the post-Internet times. According to Gillis, consumers growing up in the age of iTunes and YouTube are accustomed to having “a dialogue with the media [they] consume,” often through editing downloaded pictures, making videos, or creating remixes of popular songs.<sup>13</sup>

## II. FAIR USE, OR A LAWSUIT WAITING TO HAPPEN?

Along with the critical acclaim, festival appearances, and sold-out shows, Gillis’s success has raised a simple question: is Girl Talk legal? The New York

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<sup>6</sup> Girl Talk Bio, *supra* note 2.

<sup>7</sup> Nicole Martin, *Fans Choose to Pay for Radiohead’s ‘Free’ Album*, Daily Telegraph (London), Oct. 11, 2007, at 3.

<sup>8</sup> Andy Baio, *Girl Talk’s Feed the Animals: The Official Sample List*, Nov. 10, 2008, [http://waxy.org/2008/10/feed\\_the\\_animals\\_official\\_sample\\_list/](http://waxy.org/2008/10/feed_the_animals_official_sample_list/)

<sup>9</sup> Metacritic: Best Albums of 2008, <http://www.metacritic.com/music/bests/2008.shtml> (last visited Oct. 10, 2009).

<sup>10</sup> Jon Pareles, *Making Girls Dance: All in a Night’s Work*, N.Y. Times, Nov. 20, 2008, at C1.

<sup>11</sup> Evan Davies, *Hail to the Thief*, NOW Magazine (Toronto), Nov. 5, 2008 at 1.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

Times referred to “Feed the Animals” as “a lawsuit waiting to happen.”<sup>14</sup> Pitchfork Media’s review of “Night Ripper” noted that Girl Talk is “practically begging for court drama.”<sup>15</sup> Additionally, both online retailers and physical distributors have expressed their doubts as to Girl Talk’s legal status. Indeed, iTunes and at least one CD distribution company decided to stop carrying “Night Ripper” as a result of growing fears of a Girl Talk-related lawsuit.<sup>16</sup>

Gillis and his record label, Illegal Art, have chosen to tackle the legal issue head-on, proactively employing a fair use argument in order to defend Gillis’s work from potential litigation. The official bio for “Feed the Animals” distinguishes Girl Talk from “mashups” or DJ mixes, tracks that simply layer one track over another track.<sup>17</sup> Gillis claims that the meticulous sampling, pitch-shifting and editing that he employs give Girl Talk tracks “their own character” such that they “surpass the original elements” of the sampled tracks.<sup>18</sup> According to the bio, “such transformative work” entitles Gillis to protection under the fair use principle embodied in the U.S. Copyright Act.<sup>19</sup> Fair use is a limitation on the exclusive nature of copyright that enables “fair use” of a copyrighted work “for purposes such as criticism, comment, news reporting, teaching...scholarship, or research.”<sup>20</sup> Courts evaluate fair use arguments on a case-by-case basis, incorporating four factors into their analysis: (1) “purpose and character of the use,” (2) “the nature of the copyrighted work,” (3) the “amount and substantiality of the portion used,” and (4) the “effect of the use upon the potential market for or value of the copyrighted work.”<sup>21</sup> No one factor is dispositive in fair use analysis. As such, courts have broad discretion when evaluating a fair use argument.

In *Campbell v. Acuff-Rose Music, Inc.*, the seminal music industry fair use case, rapper Luther Campbell successfully invoked a fair use defense in a case involving 2 Live Crew’s parody of “Oh, Pretty Woman” by Roy Orbison.<sup>22</sup> The Supreme Court, reversing the Sixth Circuit Court of Appeals, determined that analysis of the “purpose and character” factor of fair use should be based on whether the new work “merely supersedes the objects” of the original work “or

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<sup>14</sup> Walker, *supra* note 5, at 15.

<sup>15</sup> Fennessey, *supra* note 4.

<sup>16</sup> *Id.*

<sup>17</sup> Girl Talk Bio, *supra* note 2.

<sup>18</sup> *Id.*

<sup>19</sup> 17 U.S.C. §107.

<sup>20</sup> *Id.*

<sup>21</sup> *Id.*

<sup>22</sup> 510 U.S. 569 (1994).

instead adds something new, with a further purpose or different character . . . in other words, whether and to what extent the new work is ‘transformative.’”<sup>23</sup>

According to *Acuff-Rose*, “the goal of copyright, to promote science and the arts, is generally furthered by the creation of transformative works.”<sup>24</sup> Though not specifically enumerated in the Copyright Act, the court held that parody was such a transformative use.<sup>25</sup> However, while the Court held that Campbell’s *lyrical* parody of “Oh, Pretty Woman” was transformative, the Court remanded the question of whether or not the repeated use of a signature bass riff in the Orbison song was also protected under fair use.<sup>26</sup>

Recently, the District Court for the Southern District of New York relied on *Acuff-Rose*’s “transformative use” doctrine in a case involving the unauthorized use of a fifteen-second clip of John Lennon’s “Imagine” in the documentary, “EXPULSED: No Intelligence Allowed.”<sup>27</sup> The Court denied the Lennons’ request for a preliminary injunction, holding that the filmmakers’ use of “Imagine” was transformative because the film responded directly, through images and voiceover, to the lyrical content of the chosen excerpt.<sup>28</sup> The Lennons eventually dropped their lawsuit.<sup>29</sup>

Though none of the hundreds of artists sampled on Girl Talk’s albums has gone so far as to bring suit against Gillis, journalists and music bloggers have energetically debated the merits of Gillis’s fair use argument. Idolator music blogger Mike Barthel concluded (based on both “purpose and character” and “amount and substantiality”) that Girl Talk does not pass the fair use test.<sup>30</sup> Journalist Evan Davies took the opposite position, comparing Gillis to a young Beethoven, plying his trade “after studying Mozart,” in effect commenting on the work of his predecessors without committing wholesale piracy.<sup>31</sup>

Additionally, there is no consensus among the attorneys who have chosen to weigh in publicly. Intellectual property attorney Barry Slotnick doesn’t give

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<sup>23</sup> 510 U.S. 569 (1994).

<sup>24</sup> *Id.*

<sup>25</sup> *Id.*

<sup>26</sup> *Id.* at 589.

<sup>27</sup> *Lennon v. Premise Media Corp., L.P.*, 08 Civ. 3813, Opinion & Order at 1 (S.D.N.Y. June 2, 2008), <http://online.wsj.com/public/resources/documents/expelledsdny.pdf>.

<sup>28</sup> *Id.* at 12.

<sup>29</sup> Dave Itzkoff, *Ono, EMI Drop ‘Imagine’ Lawsuit*, N.Y. Times, Oct. 9, 2008, at C2.

<sup>30</sup> Mike Barthel, *Copyright: Girl Talk is Not Fair Use*, Idolator.com, Nov. 10, 2008, <http://idolator.com/5081637/girl-talk-is-not-fair-use>.

<sup>31</sup> Davies, *supra* note 11, at 1.

Gillis's fair use argument much credence.<sup>32</sup> According to Slotnick, while "fair use is a means to allow people to comment on a pre-existing work," fair use does not allow one to "substitute someone else's creativity for [his/her] own."<sup>33</sup> While Case Western Reserve University of Law professor Peter Friedman agrees in principle, he claims that Gillis's re-combination of samples is sufficiently transformative as to qualify as an original work, thus discouraging litigation.<sup>34</sup>

Because there is no fair use case directly on point with the legal questions raised by Girl Talk, it is necessary to look at how courts have historically handled copyright cases involving sampling in order to evaluate Gillis's fair use argument.

### III. SAMPLING AND SPARSE CASE LAW

Sampling, the use of a pre-existing clip of recorded music in a new musical work, has been common practice, particularly in hip-hop music, since the late 1980s. Gillis's style of high-volume sampling harkens back to some of hip-hop's earliest innovators such as the Bomb Squad and Prince Paul. The Bomb Squad used dozens of unlicensed samples to create a densely layered sound on seminal hip-hop albums including Public Enemy's "It Takes a Nation of Millions to Hold Us Back."<sup>35</sup> Prince Paul pulled samples, without permission, from disparate sources including Johnny Cash, Steely Dan and the Turtles in the course of producing De La Soul's masterpiece, "Three Feet High and Rising."<sup>36</sup> *Grand Upright Music Ltd. v. Warner Brothers Records, Inc.*, the so-called "Biz Markie case," dealt a crippling blow to this sample-heavy style of production.<sup>37</sup>

In *Grand Upright*, the court granted a preliminary injunction halting sales of Biz Markie's album because of unauthorized use of a sample of a Gilbert O'Sullivan song.<sup>38</sup> Grand Upright owned both the composition and sound recording copyrights for the O'Sullivan tune.<sup>39</sup> The Biz Markie case had a dramatic

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<sup>32</sup> Robert Levine, *Steal This Hook*, N.Y. Times, Aug. 7, 2008 at E1.

<sup>33</sup> *Id.*

<sup>34</sup> Peter Friedman, *Appropriation Can Be Original*, What Is Fair Use?, Aug. 14, 2008, <http://whatisfairuse.blogspot.com/2008/08/appropriation-can-be-original.html>.

<sup>35</sup> Stephen Thomas Erlewine, Review of "It Takes a Nation of Millions to Hold Us Back", AllMusic, <http://www.allmusic.com/cg/amg.dll?p=amg&sql=10:0pfixqu5ldhe> (last visited Oct. 10, 2009).

<sup>36</sup> John Bush, Review of "3 Feet High and Rising", AllMusic, <http://www.allmusic.com/cg/amg.dll?p=amg&sql=10:fpftxy5ldde> (last visited Oct. 10, 2009).

<sup>37</sup> 780 F.Supp. 182 (S.D.N.Y. 1991).

<sup>38</sup> *Id.*

<sup>39</sup> *Id.* at 183.

impact on the emerging sound of hip hop, effectively ending an era where rappers and producers were able to take full advantage of new digital sampling techniques without fear of legal action.<sup>40</sup>

As Public Enemy frontman Chuck D noted, his group completely changed its production style, reproducing sounds in the studio and dramatically limiting the number of pre-existing samples in order to avoid a wave of litigation.<sup>41</sup> Groups who chose to continue sampling pre-existing recordings did so sparingly, often choosing one “primary” sample per song in order to simplify the process of getting permission, “clearing” samples in order to avoid lawsuits.<sup>42</sup>

Though courts have heard a number of cases involving sampling and copyright infringement, none of these cases have involved a fair use defense for a non-parodic use of a sound recording. Two recent cases, however, illuminate the continued problems courts have had in formulating a consistent approach to sampling and copyright. In *Newton v. Diamond*, jazz musician James Newton sued the Beastie Boys for infringing his copyrighted composition through use of a looped three-note sample. The Ninth Circuit applied the “substantial similarity” test for infringement, ultimately holding that the composer’s copyright was not infringed through use of the sample.<sup>43</sup>

The relatively sensible “substantial similarity” test was immediately rejected by the Sixth Circuit in *Bridgeport Music v. Dimension Films*.<sup>44</sup> The Sixth Circuit’s much-criticized opinion set forth a bright line rule, establishing that sampling from a sound recording “necessarily infringes upon the rights of the owners of both the sound recording itself and the underlying composition.”<sup>45</sup> Though the Court’s holding did not explicitly preclude a successful fair use argument, as in *Newton v. Diamond*, no such argument was made by the defendant.

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<sup>40</sup> Peter Friedman, *What, indeed, is fair use?*, Ruling Imagination: Law and Creativity, Nov. 13, 2008, <http://blogs.geniocity.com/friedman/2008/11/what-indeed-is-fair-use/>.

<sup>41</sup> Kembrew McLeod, *How Copyright Law Changed Hip Hop: An Interview with Public Enemy’s Chuck D and Hank Shocklee*, Stay Free Magazine (Issue #20, Fall 2002), available at [http://www.stayfreemagazine.org/archives/20/public\\_enemy.html](http://www.stayfreemagazine.org/archives/20/public_enemy.html).

<sup>42</sup> *Id.*

<sup>43</sup> 349 F.3d 591 (9th Cir. 2003).

<sup>44</sup> 410 F.3d 792 (6th Cir. 2005).

<sup>45</sup> Kenneth M. Achenbach, *Grey Area: How Recent Developments in Digital Music Production Have Necessitated the Reexamination of Compulsory Licensing for Sample-Based Works*, 6 N.C. J.L. & Tech. 187, 199 (2004).

#### IV. GILLIS'S FAIR USE ARGUMENT IN LIGHT OF INCONSISTENT JUDGMENTS REGARDING SAMPLING

How would Gillis's fair use argument fare in court? The general attitudes towards sampling expressed in *Grand Upright*<sup>46</sup> and in *Bridgeport*<sup>47</sup> suggest that at least *some* courts would be unreceptive to a fair use argument. Additionally, though Gillis relies on "transformative use" doctrine in making his fair use argument, there simply is no precedent case on point to suggest whether this argument would be successful.

Given the sparse case law, Gillis's argument would depend almost entirely on the opinion of a court as to how "transformative" ought to be defined in this context. Proponents of Gillis's fair use argument point to Girl Talk's originality, but much of "Feed the Animals" consists of the juxtaposition of one extremely recognizable sample over another.<sup>48</sup> Indeed, it is the many moments of recognition of familiar choruses, hooks, riffs, voices and words that give Girl Talk its appeal.

For the most part, Gillis's transformation takes the form of pitch-shifting, editing, and re-contextualizing his source material. Defining transformation so broadly in the context of fair use is potentially problematic as similar techniques have been common in hip-hop production for years.<sup>49</sup> If simply juxtaposing a Jay-Z verse over a pitch-shifted Radiohead sample is transformative, why should hip-hop producers pay for the rights to samples that will ultimately be "transformed" by a rapper's verse?<sup>50</sup> Does Gillis really "comment" on his source material by displacing a chorus, a chord progression, or a beat without adding a significant amount of new material?

Additionally, though "Feed the Animals" is made up largely of rapid-fire edits and extremely brief samples, there are numerous instances of samples of significant length, including a 63-second sample of BLACKstreet's "No Diggity," a 54-second sample of Missy Elliot's "Work It," and a 30-second sample of the

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<sup>46</sup> *Grand Upright*, 780 F. Supp. at 183 ("Thou Shalt Not Steal").

<sup>47</sup> *Bridgeport Music, Inc.*, 410 F.3d at 801 ("Get a license or do not sample. We do not see this as stifling creativity in any way.").

<sup>48</sup> Track 1 of "Feed the Animals," "Play Your Part (Pt.1)," begins with a sample of UGK's "International Player's Anthem" over The Spencer Davis Group's "Gimme Some Lovin.'" Track 3, "Still Here," features BLACKstreet's "No Diggity" over Kanye West's "Flasing Lights."

<sup>49</sup> Ken Micallef, *Kanye West, Remix*, Feb. 1, 2004 at 2 (Producer/rapper Kanye West discussing his techniques for manipulating the speed and/or pitch of his samples).

<sup>50</sup> Track 5 of "Feed the Animals," "Set It Off," contains a 40-second clip of Jay-Z's "Roc Boys" juxtaposed over Radiohead's "Paranoid Android."

Jackson 5's "ABC."<sup>51</sup> The use of samples incorporating an entire verse *and* chorus of a song would surely weigh against Gillis under the "amount and substantiality of the portion used" factor of fair use analysis. Again, as Barthel points out,<sup>52</sup> Gillis's claim that he only uses short samples in a transformative manner is at the very least doubtful, if not highly dubious.<sup>53</sup>

However, as a practical matter it is hard to blame Gillis for making a fair use argument. Under current copyright law he is left with three unsatisfying choices: continue to produce Girl Talk albums while clinging to a fair use argument; admit that Girl Talk probably *does* infringe copyright but continue anyway; or admit that Girl Talk infringes copyright and discontinue the project since complying with current law would be a cost-prohibitive logistical nightmare.

## V. COMPULSORY LICENSING AND "HIGH-VOLUME" SAMPLING

Assuming that Gillis's fair use argument is likely to fail, the only way he could legally produce Girl Talk albums would be under an amended Copyright Act. One oft-proposed solution that would solve the logistical problems posed by Girl Talk is the so-called compulsory sample license, an idea that has been the subject of law review articles for over a decade.<sup>54</sup> Creation of a compulsory sample license would involve amending the Copyright Act in order to create a scheme "roughly analogous to the one currently used for licensing cover versions of copyrighted songs" under Section 115 of the Copyright Act.<sup>55</sup> Early compulsory sample license proposals were often criticized for creating an "administratively cumbersome"<sup>56</sup> system with regulations no less arbitrary than those already in place.<sup>57</sup> Indeed, some proposals included bizarrely arbitrary restrictions.<sup>58</sup>

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<sup>51</sup> Baio, *supra* note 8.

<sup>52</sup> Barthel, *supra* note 30.

<sup>53</sup> Levine, *supra* note 32.

<sup>54</sup> See, e.g., Michael L. Baroni, *A Pirate's Palette: The Dilemma of Digital Sound Sampling and a Proposed Compulsory License Solution*, 11 U. Miami Ent. & Sports L. Rev. 65, 93 (1993).

<sup>55</sup> Robert M. Szymanski, *Audio Pastiche: Digital Sampling, Intermediate Copying, Fair Use*, 3 UCLA Ent. L. Rev. 271, 294 (1996).

<sup>56</sup> *Id.* at 294-295.

<sup>57</sup> Lucille M. Ponte, *The Emperor Has No Clothes: How Digital Sampling Infringement Cases Are Exposing Weaknesses in Traditional Copyright Law and the Need for Statutory Reform*, 43 Am. Bus. L.J. 515, 549 (2006).

<sup>58</sup> See, e.g., Baroni, *supra* note 54, at 95 (Proposing an arbitrary rule stating that the "maximum allowable taking would be one sample per artist or group sampled from for each sampling artist's album.").

Proposals for a compulsory sample license have resurfaced in recent years as sampling, and sampling-related legal issues, have evolved.<sup>59</sup> Proposed compulsory sample license schemes have included provisions regarding everything from royalty payments and categorization of sample-based works, to potential limits on sample length and liability issues involving sound recording and compositional copyrights.<sup>60</sup> No one, however, has proposed a workable solution for an artist such as Gillis who engages in “high-volume” sampling.

Even a “relatively small sum collected per album pressed” (or sold digitally online) would render an album featuring three hundred twenty-two samples financially infeasible.<sup>61</sup> One possible solution is to structure royalty rates based on a percentage of revenue generated, as opposed to a flat rate per sample used. Such a scheme would utilize a multi-tiered structure. The overall percentage of royalties paid per track would be determined by a sliding scale based on the number of samples used.<sup>62</sup> The division of that royalty revenue would be based on the length of the samples used in order to compensate copyright holders proportionally with the amount of the copyrighted work sampled. This structure would protect the interests of the copyright holder while enabling artists to create sample-based works without having to worry about prohibitive costs.

Additionally, this structure is consistent with the constitutionally mandated policy goal of the Copyright Act: promoting “the progress of science and the useful arts.”<sup>63</sup> As noted above, *Grand Upright* abruptly halted the progress of one of the most fertile, creative movements in recent American music history. Amending the Copyright Act in order to allow for high-volume sampling would promote the creation of sample-based works while fairly compensating copyright holders. With the affordability of high-powered laptops and sampling software and the easy access to source material afforded by the Internet, such an amendment could help usher in a new Renaissance of sample-based music by giving sampling artists incentives to create and release new works without the fear of potential litigation or prohibitive preliminary licensing fees.

Another, more practical argument is based in the harsh reality of the music industry in 2009. With the entire industry facing an uncertain future in the wake of steadily declining album sales, the music industry should be focused on alternative

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<sup>59</sup> Achenbach, *supra* note 45, at 212-221.

<sup>60</sup> *Id.*

<sup>61</sup> *Id.* at 220.

<sup>62</sup> For example, a track using 1-5 samples would pay a 10% royalty, a track using 6-10 samples would pay a 15% royalty, and so on. This example is purely for illustrative purposes.

<sup>63</sup> U.S. Const. art. I, § 8, cl. 8.

revenue streams and new monetization schemes.<sup>64</sup> Illegal Art released “Feed the Animals” under the Creative Commons Attribution Non-Commercial license, preventing anyone using Girl Talk tracks for derivative works from generating any revenue from that work.<sup>65</sup> Besides seeming blatantly hypocritical, this scenario limits the revenue that one of the most talked-about albums of 2008 will generate. Given the current climate of the music industry, such a lost opportunity is unfortunate to say the least.

## VI. CONCLUSION

Though many logistical details would have to be worked out, a compulsory sample license coupled with a royalty scheme based on a percentage of the revenue generated by the sampling work is a workable solution to the problems raised by “Feed the Animals.” Sampling has continued to grow, cross-pollinating genres since its widespread integration into the American musical landscape over twenty years ago. As future generations of musicians grow up with powerful computers and constantly evolving music software, it is likely that many will follow Gillis’s lead. This logical development in music and technology should be accompanied by an analogous development in the laws that protect the rights of copyright holders while encouraging creative works.

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<sup>64</sup> Dawn C. Chmielewski, *Digital Music Downloads Set a Record; More than 1 Billion Songs were Purchased Online in 2008. But CD Sales Fell 20%*, L.A. Times, Dec. 31, 2008, at C3.

<sup>65</sup> TechDirt.com, *Why Doesn’t Girl Talk Allow Commercial Use?*, <http://techdirt.com/articles/20080707/0016231597.shtml> (last visited Oct. 10, 2009).

# FOREIGN FORMATS – LICENSING OPTIONAL?: WHY ABC’S “BOMBHELL” MEMO REGARDING FOREIGN FORMATS ISN’T SCANDALOUS AT ALL

ALEXANDRA SCHWARTZ\*

*On June 24, 2008, ABC Executive Vice President Howard Davine wrote a memo to ABC’s executive producers and show-runners which suggested that there may be no need to license a foreign television show when all that is being taken from the show is the “underlying premise.” Alexandra Schwartz argues that there is, in fact, no difference between the decisions to license a U.S. format and a foreign format. While Mr. Davine’s memo may be provocative, Schwartz concludes that it reaches a sensible legal solution. Simply put, show-runners and executive producers need not contract and pay for every concept they produce as a result of seeing or hearing about a foreign TV show, movie, or book.*

## I. INTRODUCTION

On June 24, 2008, ABC Executive Vice President Howard Davine wrote a memo to ABC’s executive producers and show-runners which raised eyebrows in the industry when it was leaked. The memo suggested that there may be no need to license a foreign television show (“foreign format”) when all that is being taken from the show is the “underlying premise.”<sup>1</sup> He strenuously urged the executive producers and show-runners to first go to ABC’s Creative Affairs group when they had seen or were about to see a show that they were potentially interested in licensing so that ABC could decide, both creatively and legally, whether licensing was truly necessary.

Mr. Davine made four main points regarding business reasons that licensing these formats are to the disadvantage of ABC and should be avoided. First, he noted that the foreign format copyright holders will want recognition and seek Executive Producer credit as well as a degree of creative control, typically to be rendered from a foreign location — adding an “unnecessary layer” to the creative process.<sup>2</sup> Second, he argued against licensing because there would likely be a

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<sup>1</sup> Howard Davine, *Davine Memo*, June 24, 2008, <http://www.deadline.com/hollywood/bombshell-abc-studios-memo-a-blueprint-to-rip-off-foreign-tv-series>.

<sup>2</sup> *Id.*

decrease in profits from format rights fees and Executive Producer fees as well as the reality that a large portion of the backend<sup>3</sup> would have to be shared with the format's right holder.<sup>4</sup> Third, the studio may be limited in its ability to exploit derivative works from the show depending on the stature of the rights holder. Fourth, if a show is licensed, the deal may be dependent upon the studio's ability to sell the U.S. series internationally without restriction and the interest of the foreign rights holder to sell episodes of their underlying series in the U.S. market — motivations that are often not compatible or economically equivalent.<sup>5</sup>

The entertainment community's reaction to this memo has been quite mixed, with some saying that Mr. Davine was merely protecting ABC and doing his job, and others viewing the memo as an example of the studios cheating writers.<sup>6</sup> Of course, foreign producers have been particularly critical of the memo since their shows are at the heart of the matter and are perhaps less likely to be licensed after this memo.<sup>7</sup> Also, certain intellectual property watchdog organizations have raised alarm about the potential implications of the memo.<sup>8</sup>

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<sup>3</sup> Meaning royalties or payments that are made after a television show is aired.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> See Nikki Finke, *Bombshell ABC Studios Memo Is Blatant Blueprint to Rip Off Foreign TV Series*, July 10, 2008, <http://www.deadline.com/hollywood/bombshell-abc-studios-memo-a-blueprint-to-rip-off-foreign-tv-series> (anonymous comments on Ms. Finke's blog range from "Would someone please tell me what's so exceptional about this? doesn't it simply explain the legal need to differentiate between an inspirational source and a direct influence?" to "This leaves the company wide open to possibly gazillions in litigation from any foreign network with a show that even remotely resembles an ABC production. All they have to do is wave around this memo because it's practically a confession. And no doubt anyone with an unsold pilot with a passing resemblance to running ABC shows can probably also jump on the litigation bandwagon. This behaviour is not only unethical, but writing it down as a memo passed all over town is damn stupid").

<sup>7</sup> See Leigh Holmwood, *TV Execs Slam ABC Man's Memo About Foreign Formats*, *The Guardian*, Aug. 11, 2008.

<sup>8</sup> See *FRAPA Response to ABC Leaked Memo*, The Format Recognition and Protection Association, Aug. 12, 2008, <http://www.frapa.org/press/press-releases/28-frapa-response-to-leaked-abc-memo-.html> ("Mr. Davine's skillfully written memo does not use words like steal, theft or rip-off, but it certainly could be seen as encouraging his Producers and Show-runners not to license formats honestly...If ABC and Disney refuse to repudiate the content of the Davine memo, then Producers in the US and around the world might note their silence and help themselves to the 'underlying premise' of Miley Cyrus and Hannah Montana...Producers might even be persuaded by Mr. Davine's memo to be inspired by the 'general underlying premise' of a well known Disney cartoon character. In the spirit of the memo, the rip-off rodent might be called Tricky Mouse").

This paper addresses what appears to be a contentious and unsettled issue — at what point does copyright law force studios to compensate foreign format producers for the adoption of their shows, if ever? The paper concludes that, in fact, there is no difference in the decision between whether a U.S. company needs to license a U.S. format versus whether it needs to license a foreign format. While Mr. Davine’s memo may be provocative, it nonetheless reaches a sensible legal solution. Simply put, show-runners and executive producers need not contract and pay for every concept they produce as a result of seeing or hearing about a foreign TV show, movie, or book.

## II. COPYRIGHT LAW

U.S. law protects works copyrighted in foreign jurisdictions from infringement within the United States.<sup>9 10</sup> Under U.S. law, to state a claim for copyright infringement, a plaintiff must prove “(1) ownership of a valid copyright and (2) copying [by the defendant] of constituent elements of the [copyrighted] work that are original.”<sup>11</sup>

### A. *Ownership of Valid Copyright*

To determine ownership of a valid copyright, a plaintiff must prove that (1) he owns the copyright, and (2) the copyright is valid.<sup>12</sup>

#### 1. *Determining Ownership of a Copyright.*

In determining who owns a copyright issued in a foreign country — as is likely the case with foreign formats — U.S. courts will look to either international

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<sup>9</sup> See generally *Itar-Tass Russian News Agency v. Russian Kurier, Inc.*, 153 F.3d 82 (2d Cir. 1998).

<sup>10</sup> When a work is not copyrighted in the United States but rather in a foreign country, as is likely the case with many foreign format shows that are the issue of this paper, there is an additional jurisdictional hurdle and choice of law question. “If the issue is the relatively straightforward one of which of two contending parties owns a copyright, the issue is unquestionably an ownership issue, and the law of the country with the closest relationship to the work will apply to settle the ownership dispute. But in some cases...the issue is not simply who owns the copyright but also what is the nature of the ownership interest. Yet as a court considers the nature of an ownership interest, there is some risk that it will too readily shift the inquiry over to the issue of whether an alleged copy has infringed the asserted copyright. Whether a copy infringes depends in part on the scope of the interest of the copyright owner. Nevertheless, though the issues are related, the nature of a copyright interest is an issue distinct from the issue of whether the copyright has been infringed.” *Itar-Tass Russian News Agency*, 153 F.3d at 91.

<sup>11</sup> *Feist Pubs. Inc. v. Rural Tel. Serv. Co., Inc.*, 499 U.S. 340, 361 (1991).

<sup>12</sup> *Id.*

treaties or the jurisdiction in which the work was copyrighted. The Berne Convention, to which the United States is a party, applies to all parties to it and expressly provides that “[o]wnership of copyright in a cinematographic work shall be a matter for legislation in the country where protection is claimed.”<sup>13</sup> Thus, if the creators of a show reside in Brazil, and the show is initially broadcast there, Brazilian law will determine who is entitled to copyright ownership.<sup>14</sup>

Regarding protection of that copyright, according to the “national treatment” principle of the Berne Convention and the Universal Copyright Convention (“U.C.C.”), to which the United States is also a party, “an author who is a national of one of the member states of either Berne or the U.C.C., or one who first publishes his work in any such member state, is entitled to the same copyright protection in each other member state as such other state accords to its own nationals.”<sup>15</sup> If the law of the country of infringement, here it would be the U.S., applies to the scope of substantive copyright protection, the court will apply that law uniformly to foreign and domestic authors.<sup>16</sup> Thus, while the law of the country of origin will determine initial ownership, once it has been assigned, the owners may sue in U.S. courts under domestic law for infringement and compensation.<sup>17</sup> However, it is worth noting that if the plaintiff is capable of

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<sup>13</sup> Berne Convention, Art. 14 *bis* (2)(a); *see also* Restatement (Second) of Conflict of Laws, § 222, The General Principle (2009) (the interests of the parties in property are determined by the law of the state with “the most significant relationship” to the property and the parties).

<sup>14</sup> There is, however, one procedural qualification. Under United States law, an owner (including one determined according to foreign law) may sue for infringement in a United States court only if it meets the standing test of 17 U.S.C. § 501(b), which accords standing only to the legal or beneficial owner of an “exclusive right.” *Id.*

<sup>15</sup> *Id.* at 89 (citing *Nimmer on Copyright* § 17.05 (1998)); *see also* S.M. Stewart, *International Copyright and Neighboring Rights* § 3.17 (2d ed. 1989) (“Both the question of whether the right exists and the question of the scope of the right are to be answered in accordance with the law of the country where the protection is claimed”).

<sup>16</sup> *Id.*

<sup>17</sup> It is important to note that a foreign plaintiff cannot recover statutory damages under § 441(c) of the Copyright Act for “(1) any infringement of copyright in an unpublished work commenced before the effective date of its registration; or (2) any infringement of copyright commenced after first publication of the work and before the effective date of its registration, unless such registration is made within three months after the first publication of the work.” *The Football Ass’n Premier League Ltd. v. YouTube, Inc.*, 633 F.Supp.2d 159, 162 (S.D.N.Y. 2009). This means that while “actual damages” are allowed, statutory damages will be prohibited unless the foreign format was registered in the U.S. within the above prescriptions. *See also Itar-Tass Russian News Agency*, 153 F.3d at 88. Although plaintiffs have argued this is in contravention to the Berne Convention, courts have insisted that “Section 412 [of the Copyright Act] has no exception excusing foreign works from its mandate it requires registration to obtain statutory damages for both domestic and foreign works.” *The Football Ass’n Premier League Ltd.*, 633

bringing suit in his home country against a defendant who also has operations there (in addition to the United States), he may lose the ability to bring suit in the United States under *forum non conveniens*.<sup>18</sup>

### B. Valid Copyright Under U.S. Law

As the Davine memo does not discuss a specific instance of a foreign format television show being used — and thus does not have a reference country for the law of ownership — this paper uses U.S. law as a baseline for discussing what constitutes a valid copyright. Normally, however, the law of the country in which the copyright originated would govern.

In order to be within the subject matter of copyright law, a work must be an (1) original work of authorship and (2) fixed in a tangible medium of expression.<sup>19</sup> An original work of authorship is one that possesses an “independent origin and a minimal amount of creativity.”<sup>20</sup> Thus, if a show is the result of a creator’s individual thoughts, experiences, or creative urges and is not merely identical to something that he has previously seen, it meets the standard for an original work of authorship.

Secondly, a work is considered “fixed” in a tangible medium of expression when “it is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration.”<sup>21</sup> In order to be fixed in a tangible form, a work only need be recorded in some manner “capable of identification and having a more or less permanent endurance.”<sup>22</sup> Thus, a show that has already been recorded, or even the expression of ideas in treatment, index cards, tapes or the like embody a stable enough form to be considered fixed in a tangible medium. Under these criteria, it appears that virtually any idea for a show that came to an executive as a result of viewing, reading, or listening to a foreign television program would likely fall within the subject matter of copyright law.

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F.Supp.2d at 162 (citations omitted). However, an exception exists for live broadcasts, such as of “sporting events, concerts, theatrical presentations and news and public affairs programs.” *Id.* at 165 (citing *Works Consisting of Sounds, Images, or Both*, 46 Fed.Reg. 28,846, at 28,849 (May 29, 1981)).

<sup>18</sup> See *Murray v. British Broadcasting Corp.*, 81 F.3d 287 (2d. Cir. 1996).

<sup>19</sup> *Uranita Foundation v. Maaherra*, 114 F.3d 955, 958 (9th Cir. 1997); Melville B. Nimmer & David Nimmer, *Nimmer on Copyright*, § 2.02 2-18 (1999).

<sup>20</sup> *Baltimore Orioles v. Major League Baseball Palyers*, 805 F.2d 663, 675 (7th Cir. 1986).

<sup>21</sup> 17 U.S.C. § 101.

<sup>22</sup> Nimmer § 1.08[C][2] 1-66.30.

### C. Copyright Infringement

Once a plaintiff has shown that he is the owner of a valid copyright, he must next show that the defendant undertook “copying of constituent elements of the [copyrighted] work that are original.”<sup>23</sup> This copying must have amounted to “an improper or unlawful appropriation.”<sup>24</sup> An unlawful appropriation is established by showing that the work at issue bears a “substantial similarity” to the original copyrighted expression of the earlier work.<sup>25</sup>

Where a plaintiff cannot show a reasonable opportunity for the defendant to have accessed the work, proof that the protected and accused works are “strikingly similar” suffices to give rise to an inference of copying.<sup>26</sup> To show a “striking similarity” between works, a plaintiff must produce evidence that the accused work could not have been the result of independent creation.<sup>27</sup>

#### i. Originality

In order to establish a claim for copyright infringement, the owner of a valid copyright must prove not only copying and substantial similarity, but also “copying of constituent elements of the [copyrighted] work that are original.”<sup>28</sup> Thus, a plaintiff cannot make out a claim of infringement if the allegedly infringing work copied a non-original part of the copyrighted work.

“The *sine qua non* of copyright is originality...[which] means only that the work was independently created by the author...and that it possesses at least some minimal degree of creativity.”<sup>29</sup> “[T]he requisite level of creativity [needed to establish originality] is extremely low,” and “[t]he vast majority of works make the grade quite easily, as they possess some creative spark, no matter how crude, humble or obvious it might be.”<sup>30</sup> However, where the “quantum of originality is slight and the resulting copyright is ‘thin,’ infringement will be established only by

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<sup>23</sup> *Feist*, 499 U.S. at 361.

<sup>24</sup> *Castle Rock Entertainment, Inc. v. Carol Pubs. Group, Inc.*, 150 F.3d 132, 137 (2d Cir. 1998).

<sup>25</sup> *Id.*

<sup>26</sup> *Baxter v. MCA, Inc.*, 812 F.2d 421, 423 (9th Cir. 1987); *Arnstein v. Porter*, 154 F.2d 464 (2d Cir.1946), *cert. denied*, 330 U.S. 851 (1947).

<sup>27</sup> *See Walker v. Univ. Books, Inc.*, 602 F.2d 859, 864 (9th Cir. 1979).

<sup>28</sup> *Feist*, 499 U.S. at 345.

<sup>29</sup> *Id.*

<sup>30</sup> *Id.*

very close copying because the majority of the work is unprotectable.”<sup>31</sup> Thus, the degree of originality and the closeness of copying form a matrix that, depending on the balance from each side, determine whether a copyright has in fact been infringed.

*ii. Substantial Similarity*

To prove a claim for copyright infringement, a plaintiff must first prove access and substantial similarity between the two works.<sup>32</sup> The specific test used in order to evaluate substantial similarities varies by court. The Second Circuit has held that a court may ask if the copying is qualitatively and quantitatively sufficient to be considered “substantially similar.”<sup>33</sup> If one of these two factors is particularly strong, it can help to balance out the relative weakness of the other – “even if a copied portion be relatively small in proportion to the entire work, if qualitatively important, the finder of fact may properly find substantial similarity.”<sup>34</sup>

In contrast, the Ninth Circuit has employed the “Ordinary Observer” test, which asks whether an ordinary observer who has read, seen, or heard both the plaintiff’s and the defendant’s work would be able to recognize that defendant’s work was based on or used plaintiff’s work.<sup>35 36</sup>

More recently, the Ninth Circuit appears to be employing a modified version of the Ordinary Observer test, requiring a plaintiff pass both an extrinsic and

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<sup>31</sup> *Beaudin v. Ben and Jerry’s Homemade, Inc.*, 95 F.3d 1, 2 (2d Cir. 1996); *see also* I William F. Patry, *Copyright Law and Practice* 607, n. 639 (1994).

<sup>32</sup> *Palmer v. Braun*, 287 F.3d 1325, 1330 (11th Cir. 2002); *see also* *Warner Bros. Inc. v. American Broadcasting Cos.*, 654 F.2d 204, 207 (2d Cir. 1981) (“It is well settled that copying may be inferred where a plaintiff establishes that the defendant had access to the copyrighted work and that the two works are substantially similar”).

<sup>33</sup> *Castle Rock Entertainment, Inc.*, 150 F.3d at 138.

<sup>34</sup> *Baxter v. MCA Inc.*, 812 F.2d 421, 425 (9th Cir. 1987).

<sup>35</sup> *Harold Lloyd Corp. v. Witwer*, 65 F.2d 1 (9th Cir. 1933); *Kustoff v. Chaplin*, 120 F.2d 551 (9th Cir. 1941); *Twentieth Century-Fox Film Corp. v. Stonesifer*, 140 F.2d 579 (9th Cir. 1944) (holding that the test of infringement is the observations and impressions of “the average reasonable reader and spectator”).

<sup>36</sup> This standard has endured some criticism. The court in *Golding v. RKO Radio Pictures*, 193 P.2d 153 (Cal. Ap. 1948) said the test of the reaction of the ordinary person is “deceptive and unrealistic,” as it is obvious that the ordinary observer cannot differentiate between original and unoriginal material and could not say whether a substantial similarity between two works was with respect to original material or to matters in the public domain. In defense of the test, however, it can be said that if it takes an expert to find similarities or infringement in a particular case, the infringement, if any, may be too trivial or too doubtful to be actionable.

intrinsic test. The extrinsic test evaluates whether there are objective similarities of ideas and expression between the two works and, where the works are literary in nature, focuses on similarities between the plot, sequence of events, theme, characters, dialogue, mood, setting, and pace of each work.<sup>37</sup> The Ninth Circuit requires a court that is applying the extrinsic test to distinguish between the expressive elements of the two works that are protectable versus not protectable.<sup>38 39</sup> Under the extrinsic component, a court should engage in “analytic dissection” and compare “the individual features of the works to find specific similarities between the plot, theme, dialogue, mood, setting, pace, characters, and sequence of events.”<sup>40</sup> The intrinsic test looks at “expression subjectively.”<sup>41</sup>

### *iii. Expression*

The Copyright Act does not protect ideas, systems or discoveries; rather, it protects an author’s particular expression of an idea.<sup>42</sup> Unprotectable elements of a work include general plot ideas and “scenes a faire,” which are scenes that flow naturally from unprotectable basic plot premises and “remain forever the common property of artistic mankind.”<sup>43</sup> Nor does copyright protection extend to “‘stock’ themes commonly linked to a particular genre.”<sup>44</sup> Such customary themes, or “scenes a faire,” are not copyrightable as a matter of law.<sup>45 46</sup> Expressions that are protectable, in comparison, include the specific details of an author’s rendering of ideas, or “the actual concrete elements that make up the total sequence of events and the relationships between the major characters.”<sup>47</sup>

<sup>37</sup> *Metcalf v. Bocho*, 294 F.3d 1069, 1073 (9th Cir. 2002).

<sup>38</sup> Meaning, original versus non-original.

<sup>39</sup> *Apple Computer, Inc. v. Microsoft Corp.*, 35 F.3d 1435, 1446 (9th Cir. 1994).

<sup>40</sup> *Narell v. Freedman*, 872 F.2d 907, 912 (9th Cir. 1989).

<sup>41</sup> *Apple Computer*, 35 F.3d at 1442.

<sup>42</sup> *See Feist*, 499 U.S. at 355 (“In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery”) (citations omitted); *see also Metcalf*, 294 F.3d at 1074 (compilation of unprotectable facts may gain protection through selection and arrangement).

<sup>43</sup> *Id.*

<sup>44</sup> *Walker v. Time Life Films, Inc.*, 784 F.2d 44, 50 (2d. Cir.), *cert. denied*, 476 U.S. 1159 (1986).

<sup>45</sup> *Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972, 979 (2d Cir.), *cert. denied*, 449 U.S. 841 (1980).

<sup>46</sup> Examples of scenes a faire include disgruntled police officers, superheros lifting cars to show strength and the setting of a POW camp in Hitler’s Germany. *Walker*, 784 F.2d at 50 (urban police milieu); *Warner Bros. Inc. v. ABC, Inc.*, 654 F.2d 204, 210 (superheros and cars); *Bevan v. CBS, Inc.*, 329 F.Supp. 601, 606 (S.D.N.Y.1971) (German POW camp).

<sup>47</sup> *Feist*, 499 U.S. at 362.

The primary objective of copyright is to promote the progress of science and art and to this end, “copyright assures authors the right to their original expression, but encourages others to build freely upon the ideas and information conveyed in the work.”<sup>48</sup> However, deciding when something is just an idea versus a protected expression is not always a straightforward endeavor, and requires a stringent analysis of what a work presents.<sup>49</sup>

*iv. Originality Threshold*

As discussed *supra*, to be copyrightable, a work must have a modicum of original expression. Moreover, the contribution of the second author must be made to the specific portion of the work that was copied, as merely adding wholly dissimilar scenes and not sufficiently modifying those copied is not sufficient to escape a charge of copyright infringement.<sup>50</sup> This means that, in theory, works which are derivative from other works may have a more difficult time establishing originality. However, to be considered original every feature of a work must not be new—if that were the case then it would be hard to obtain a copyright for any artistic work since plots, materials, ideas and circumstances are constantly repeated but in a different form or combination.<sup>51</sup>

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The case law suggests that copyright holders face significant hurdles in successfully pursuing a claim: not only must they first prove that they own a valid copyright, but they also must prove access and substantial similarity in order to prove copying (or if the former is lacking, then striking similarity), that what was copied was a protectable element of the work, and then finally contend with the fact that they still might not be able to recover if the purportedly infringing author has made some “non-trivial” contribution to what he copied.

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<sup>48</sup> *Id.* at 349-50.

<sup>49</sup> See *Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 121 (2d Cir. 1930) (“[T]he line between mere ‘ideas’ and protected ‘expression’ is famously difficult to fix precisely”).

<sup>50</sup> *Malkin v. Dubinsky*, 146 F. Supp. 111 (S.D.N.Y. 1956).

<sup>51</sup> *Stanley v. Columbia Broadcasting System*, 192 P.2d 495, 504 (Cal. App. 1948); *Alfred Bell & Co. v. Catalda Fine Arts, Inc.*, 90 U.S. Pat. Q. 153 (N.Y. 1951) (“All that is needed to satisfy both the constitution and the statute is that the ‘author’ contributed something more than a ‘merely trivial’ variation, something recognizably ‘his own.’ Originality in this context ‘means little more than the prohibition of actually copying.’ No matter how poor artistically the author’s addition, it is enough to be his own.”); *Ecclesiastes* 1:9 (“[T]here is nothing new under the sun”).

### III. CASE EXAMPLES

The question of whether a work (or portion of it that is original) has been copied improperly is one of fact to be determined by the court.<sup>52</sup> While Mr. Davine's memo did not refer to any specific examples, previous examples in the case law are instructive to whether his memo set forth proper legal advice concerning copying foreign formats.

#### A. *Domestic Television Shows*

##### i. *Infringement Proven*

In *Minniear v. Tors*, the Court upheld a jury's award of damages and found that copyright infringement had occurred when the defendant's producer attended a showing of a pilot film for a series entitled "Sea Divers" and later produced the "Sea Hunt" series. The "Sea Divers" film was made and shown to prospective purchasers, sponsors, and TV stations for the purposes of developing the first underwater series on television.<sup>53</sup> Both of the series featured ex-Navy Frogmen doing deep-sea dives and featured stories about recovering jet pilots.<sup>54</sup> The Court decided there were enough similarities in the basic plot ideas, themes, sequences, and dramatic hooks to demonstrate that plaintiff's ideas and precise format were the inspiration for the defendant's series.

In *Universal Pictures Co. v. Harold Lloyd Corp.*, the Court found that substantial similarity existed between two films because fifty-seven consecutive scenes were "lifted almost bodily from [the original production]" and it was "not just the reproduction of an isolated single incident or event."<sup>55</sup> In the plaintiff's work, "Movie Crazy," the star of the film attends a dinner dance and mistakenly dons the coat of a magician. He then proceeds to dance with the hostess during which time various comedic incidents occur, and persist even after he changes partners. These incidents include doves fluttering, white mice crawling, and eggs rolling down the sleeves. During the resulting uproar, the magician enters and reproaches the star for stealing the coat and the star is discovered to be present without credentials and is literally thrown out. In "So's Your Uncle," the main character goes to a night club and while there, through the aid of a waiter in the club seeks a change of clothing in order to appear to be both himself and his uncle.

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<sup>52</sup> *Dezendorf v. Twentieth Century-Fox Film Corp.*, 99 F.2d 850 (CA2d 1938); *Stanley v. Columbia Broadcasting System*, 221 P.2d 73 (Cal. 1950); *Yadkoe v. Fields*, 151 P.2d 906 (Cal. 1944).

<sup>53</sup> *Minniear v. Tors*, 266 Cal. App. 2d 495, 497 (2d Dist. 1968).

<sup>54</sup> *Id.* at 504.

<sup>55</sup> *Universal Pictures Co. v. Harold Lloyd Corp.*, 162 F.2d 354, 361 (9th Cir. 1947).

The waiter gives him a magician's coat unknowingly. He then dances with one of his companions, and the comedy incidents occur, almost exactly as they do in "Movie Crazy" with practically the same results. The star leaves with his dancing partner and the waiter is blamed by the magician for the loss of his coat.<sup>56</sup> Due to the striking similarity displayed between the two films in these scenes, the Court found infringement – "the whole picture need not be copied to constitute infringement; the mere copying of a major sequence is sufficient."<sup>57</sup>

*ii. Infringement Not Proven*

In *Olson v. National Broadcasting Co., Inc.*, the Court employed the two-part extrinsic and intrinsic test and held the defendant's television series "A-Team" did not infringe on plaintiff's "Cargo" because the shows were not substantially similar even though some of the characters were similarly depicted and they were both shows about Vietnam veterans shown in a positive light. The Court found that while some episodes of "The A-Team" may have included some of the plot incidents presented in "Cargo," such similarities were "insufficient to constitute the type of congruence of plot relevant to the substantial similarity inquiry" and more was needed.<sup>58</sup> Ultimately, the plots — the "Cargo" crew was coerced into breaking up a drug-smuggling ring while the A-Team was hired to find a reporter missing somewhere in Mexico — were simply too divergent to be considered substantially similar.<sup>59</sup>

In *Hendried v. Four Star Television*, the Court held that copyright infringement had not occurred when both plaintiff's proposed television series and defendant's produced series featured heroes that traveled in chauffeur-driven Rolls-Royces because the shows were otherwise not substantially similar. The hero in one show was a millionaire playboy detective while the heroes in the other were a father and son duo of international troubleshooters.<sup>60</sup> As the Court noted, a "resemblance based solely on the use of a well publicized, even bromidic, symbol for wealth and luxury seems grossly inadequate to sustain a claim of substantial or material similarity."<sup>61</sup>

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<sup>56</sup> *Id.* at 358.

<sup>57</sup> *Id.* at 361.

<sup>58</sup> *Olson v. National Broadcasting Co., Inc.*, 855 F. 2d 1446, 1450 (9th Cir. 1988).

<sup>59</sup> *Id.* at 1450-51.

<sup>60</sup> *Hendried v. Four Star Television*, 266 Cal. App. 2d 435, 436-37 (2d. Dist. 1968).

<sup>61</sup> *Id.* at 437.

### *B. Foreign Format Television Shows*

Like claims based on copyright infringement of domestic television shows, those based on foreign shows are also determined based on the facts — meaning an evaluation of the substantial similarity and/or additional original expression of the two shows’ plots, characters, sequence of events, and other relevant components.

#### *i. Recent Foreign Format Infringement Suits*

In *RDF Media Ltd. v. Fox Broadcasting Co.*, plaintiffs, the creators of “Wife Swap UK,” a British reality show about switching spouses from disparate families and watching the ensuing interactions, sued the creators of “Trading Spouses,” a U.S.-based reality show of the same concept for copyright infringement.<sup>62</sup> The defendants tried to get the copyright infringement claims thrown out based on procedural grounds, but the Court would not dismiss them.<sup>63</sup> The failure of the defendants to make a motion to dismiss based on the merits of the case (i.e. that “Trading Spouses” did not infringe upon the format of “Wife Swap”) as well as settlement outside of court<sup>64</sup> suggests that the plaintiffs would likely have prevailed in their copyright infringement claims or at least had a strong case.

Similarly, in *Tokyo Broadcasting System, Inc. v. American Broadcasting Companies, Inc.*, the Court rejected the defendant’s motions to dismiss on grounds other than copyright infringement were rejected by the Court.<sup>65</sup> Tokyo Broadcasting Systems (“TBS”), a Tokyo-based company, brought suit under the allegations that several of its shows formats had been copied by the American show *Wipeout*. TBS specifically argued that *Wipeout* “incorporates not only the total concept and feel of the Shows but also the most significant, original and expressive elements of the Shows including the use of silly but difficult physical challenges on huge obstacle courses, the comical portrayal of contestants’ failed attempts, the methods of highlighting such failed attempts, the use of two commentators who make humorous comments, similar camera angles, instant replay and slow-motion devices, and the use of the same challenges and obstacle

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<sup>62</sup> See generally *RDF Media Ltd. v. Fox Broadcasting Co.*, 372 F.Supp.2d 556 (C.D. Cal. 2005).

<sup>63</sup> The court found the issue of copyright registration for the purposes of statutory recovery moot since, by the time it reviewed the dismissal motion, all of the episodes had been properly registered. *Id.* at 562.

<sup>64</sup> Mindy Farabee, *Can Reality Be Copyrighted?*, June 24, 2009, <http://www.linerlaw.com/data/1250106471.pdf>.

<sup>65</sup> See generally *Tokyo Broadcasting System, Inc. v. American Broadcasting Companies, Inc.*, CV08-06550 SJO (C.D. Cal. 2008).

courses.”<sup>66</sup> ABC attempted to get the case throw out, but did not refute the copyright infringement charges. Once again, the lack of challenge on the merits of the copyright infringement claim suggests that the defendants, here notably ABC, the company that Mr. Davine represents, is tacitly admitting culpability for copying.

#### IV. CONCLUSION

Copyright infringement is not an automatic result when a television producer or show-runner creates a show based on what he has seen or read. It is not the inspiring idea itself, but rather its specific original expression that cannot be copied without modification. As the cases discussed above illustrate, whether a show infringes a validly held copyright on a different show requires a close analysis of the facts — exactly how similar were the plots, characters, and scenes? A studio may wish to protect itself against potential litigation by licensing foreign works when it would like to create a production that adheres very closely to that work. This is because if it is found to have infringed it may end up losing far more in damages or in settlement (not to mention legal fees) than it would have cost to pay for an initial license. However, acting as though a license is always needed without thorough scrutiny of the existing and proposed productions is just bad business. Mr. Davine’s proposal was a sensible one: defer to the experts in determining whether a contract is needed in order to avoid potentially unnecessary costs and production hurdles that come along with any licensing arrangement — domestic or foreign.

This is likely an unwelcome conclusion for some creators of original content and it may indeed seem unfair. However, as Justice Brennan correctly observed it is not “some unforeseen byproduct of a statutory scheme.”<sup>67</sup> Strong policy reasons exist to allow for this apparent “looseness” in copyright law. Some protection is indeed essential – content creators need to be able to protect and profit from their work – lest they lose the motivation and ability to make a livelihood from this creation. However, there needs to be flexibility within the system to allow for the continuation of thought in order “[t]o promote the Progress of Science and useful Arts.”<sup>68</sup> If the outrage sparked by Mr. Davine’s memo is indicative of a strong underlying feeling that the balance is off, those individuals should not shoot the messenger, but rather speak to their lawmakers.

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<sup>66</sup> *Id.*

<sup>67</sup> *Feist*, 499 U.S. at 349-50.

<sup>68</sup> *Id.* (citing Art. I, § 8, cl. 8. Accord; *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156, 95 S.Ct. 2040, 2044, 45 L.Ed.2d 84 (1975)).