

THE U.S. COPYRIGHT SYSTEM

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My topic is the U.S. Copyright System. At The John Marshall Law School, where I teach, I spend 8 weeks examining the U.S. copyright system with my students. I promise I will not spend so long today. What I would like to do today is provide a brief overview of some of the more significant aspects of the U.S. copyright system. As you will see from my discussion, there are many areas where Chinese and U.S. copyright law coincide. There are also many areas where the two strongly diverge.

The protection of copyrighted works is considered so significant, the U.S. Constitution specifically grants the U.S. national legislative body the power to enact nationwide laws to protect copyright protectable works.

Article 1 of the U.S. Constitution specifically provides:

“Congress shall have the power ... To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries ...” (U.S. Constitution, Art. I, § 8, cl. 8)

The protection of copyrighted works under U.S. law has two, sometimes conflicting goals -- to encourage the creation of new works by providing compensation for the author's work and to encourage the rapid dissemination of new works to the public. Much of U.S. copyright law reflects accommodations between these two goals and can be explained as a result of the conflicts existing between them.

Copyright protection exists in “original works of authorship fixed in any tangible medium of expression now known or later developed from which they can be perceived, reproduced or otherwise communicated...” (17 U.S.C. § 102(a)) Registration is not required. Instead protection attaches from the moment the work is "fixed." In order for a work to be “fixed” it must be written down, taped, photographed, filmed or otherwise recorded in a medium that is “sufficiently permanent or stable to permit it to be perceived, reproduced or otherwise communicated for a period of more than transitory duration.” (17 U.S.C. § 101) Such fixation must occur with the consent of the author.

Unlike current Chinese copyright law, oral works and live performances which are not simultaneously filmed are not subject to copyright protection under U.S. law. Copyright protection, however, in the U.S. may reside in the script or song being performed or the speech which is being given so long as that script, song or speech has been recorded in some tangible medium.

In order for a work to qualify as an “original work of authorship,” the work must have been created by the author and must have some minimal amount of creativity (often referred to in U.S. law as requiring a “modicum of creativity”). Because of this requirement of originality (or creativity), facts can never be the subject of copyright protection. Their selection, coordination and arrangement in compilations, however, can be protected so long as such selection, coordination and arrangement itself demonstrates a certain degree of originality.

Section 102 of the current U.S. copyright lists eight categories of copyright protectable works. These categories are:

- a. Literary works (including poetry, novels, textbooks and periodicals);
- b. Musical works, including any accompanying words;
- c. Dramatic works, including any accompanying music;
- d. Pantomimes and choreographic works;
- e. Pictorial, graphic and sculptural works;
- f. Motion pictures and other audiovisual works;
- g. Sound recordings; and
- h. Architectural works. (17 U.S.C. § 102)

These above-listed categories, however, are not exclusive, but serve merely to illustrate the types of works that Congress intended to be protected under U.S. copyright laws. Among the types of works which have been protected under U.S. copyright law are posters, films, radio and television broadcasts of musical and dramatic programs, fact-based works such as maps, graphs, directories and indexes; computer programs, including source code, object code and documentation regardless of the storage medium, and computer databases. Copyright protection also extends to adaptations, translations and derivations of previously existing works (often referred to as “derivative works”) and to compilations of materials, including factual materials. In the case of a compilation, the selection and arrangement of the materials is protected so long as it contains sufficient originality. Works which are created by U.S. government officers or employees as a part of that person’s official duties are not subject to copyright protection.

Since copyright only protects the “expression” of the work and not “any idea,” (17 U.S.C. § 102) copyright owners cannot preclude others from using the ideas contained in their works. A work does not have to be artistic or have artistic merit in order to qualify for copyright protection. Courts are not required to judge (and are not permitted to judge) the artistic merit of a particular work in deciding whether to grant such work copyright protection. (Often referred to as the anti-discrimination rule.) Thus, advertising materials, including posters and billboards may be subject to copyright protection if they otherwise qualify as an original work of authorship. (*Bleistein v. Donaldson Lithographic Co.*, 188 U.S. 239 (1903))

However, strictly utilitarian or useful objects cannot be the subject of copyright protection unless the design of the useful object “incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.” (17 U.S.C. § 101) Examples of “useful objects” include lamp stands, articles of clothing, belt buckles, mannequins and the like. Useful objects may still be subject to copyright protection if they contain conceptually separable expressive elements (referred to as the “conceptual separability” doctrine). Thus, in *Mazer v. Stein*, 347 U.S. 201 (1954), the U.S. Supreme Court found that a lamp base in the shape of a dancing girl was subject to copyright protection. Its function as a lamp base did not overcome its separate, expressive elements. In determining whether useful objects contain conceptually separable, expressive elements, courts consider whether “the design elements reflect a merger of aesthetic and functional considerations.” If they do, then the object is not copyright protectable. If, by contrast, “the design elements can be identified as reflecting the designer’s artistic judgment, exercised independently of functional influences, conceptual separability exists.” (*Brandir International, Inc. v. Cascade Pacific Lumber Co.*, 834 F.2d 1142 (2d Cir. 1987))

Since U.S. copyright protection is not limited to the eight categories listed in Section 102, one of the key issues regarding protection is whether the work in question contains "expression. The “expression” in question must not be so limited that prohibiting its use would preclude the creation of other works which accomplish the same purpose. If the expression is found to be so limited, courts will treat such expressions as unprotectable ideas since the expression and the idea are considered to be merged. Thus, a work consisting solely of a short advertising phrase is not generally subject to copyright protection.

Similarly, forms which merely record information (for example, ledger pages from an accounting book) are not generally subject to copyright protection. Forms, however, which both record *and* convey information may be subject to copyright protection. (*Baker v. Selden*, 101 U.S. 99 (1879))

Even for literary works such as novels, plays and short stories which are generally entitled to strong copyright protection, those portions of those work that represent unprotectable ideas will not be protected. Thus, standard plot lines, scenes à faire and certain character traits may not be subject to copyright protection where such plot lines, scenes, settings, incidents and characters are standard or are, as a practical matter, indispensable or at least standard, in the treatment of a given topic.”

(*Atari v. North American Philips Consumer Electronics*, 672 F.2d 607 (7th Cir. 1982), *cert. denied*, 459 U.S. 880 (1982)) Where, however, a character has been developed so that he has a unique or distinctive personality, such character may be subject to protection.

As I stated earlier, neither registration nor notice of copyright is required. Registration, however, is helpful because the certificate that issues serves as prima facie evidence of the validity of the copyright and the claim of ownership.

Under U.S. law except in the cases described below, the author or creator of a copyrighted work is the presumed owner of copyright in that work. (17 U.S.C. § 201). This presumption can be overcome with a written agreement signed by the copyright owner which transfers the owner's rights in the work to another party.

One of the instances in which the author does not own the copyright is where the work is created by an employee "within the scope of his employment." Referred to as "works for hire," the employer by law owns the copyrights in such works.

Under current law, the fact that an employee creates a work does not lead to an automatic assumption that the employer owns the copyright in that work. Similarly, the fact that the hiring party supervised the work in question does not automatically give the hiring party the copyright in the work in question. To determine whether a particular work is created within the scope of an employee's employment, courts under current U.S. copyright law must determine (1) whether the hired party qualifies as an employee or an independent third party contractor; and (2) if the hired party is found to be an employee, whether the creation of that work falls within the scope of the employee's duties.

The U.S. Supreme Court in *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989), listed numerous factors to consider in determining whether a work qualifies as a "work for hire." Among these factors are:

- (1) The skill required to create the work;
- (2) The source of the instrumentalities and tools (whether the employee used the employer's materials to create the work in question);
- (3) Whether the hiring party has the right to assign additional projects to the hired party;
- (4) The extent of the hired party's discretion over when and how long to work;
- (5) The method of payment (including whether the employee is paid a salary or receives employee benefits such as workman's compensation);
- (6) The hired party's role in hiring and paying assistants;

(7) Whether the hired party is treated as an employee for federal and state income tax purposes; and

(8) The degree to which the hiring party supervised the creation of the work in question.

No one factor is determinative. Instead, cases must be determined on a case by case basis. Thus, for example, if a receptionist for a publishing house wrote a novel during his free time, the employer would have no rights to the work under U.S. copyright law since the work was not created within the scope of his employment.

Copyright in a work which is *not* created by an employee within the scope of his employment (*not* a work for hire) resides with the creator of the work. Parties which employ others who do not qualify as employees to create potentially copyright protectable works can obtain the copyright to such works, but only through a written document, signed by the third party, which transfers the copyright to the hiring party.

Since works may be created by more than one person, joint creators may qualify as joint-authors; and therefore, joint copyright owners. Under the 1976 Copyright Act, in order to qualify as a work of joint authorship, the authors must have intended that their contributions to the work be “merged into inseparable or interdependent parts of a unitary whole.” (17 U.S.C. § 101) This intention must have existed at the time that the joint work was first undertaken.

In addition to intending to create a joint work, the authors must each contribute some copyrightable portion to the work. Thus, for example in *Childress v. Taylor*, 945 F.2d 500 (2d Cir. 1991), the provision of ideas and research about the life of a well-known comedienne which were later transformed into a play did not qualify the provider of such information into a joint author of the work because ideas and research are not subject to copyright protection.

The issue of joint authorship often arises where two or more individuals collaborate to create a single work. Where such collaboration occurs at different times, for example, when an author creates a work and someone is hired to revise or expand the work, such acts do *not* qualify as joint authorship. (*Weissmann v. Freeman*, 868 F.2d 1313 (2d Cir. 1989), *cert. denied*, 493 U.S. 883 (1989))

Joint authors are considered to own an undivided one-half interest in the copyrighted work. In practical terms, this allows the authors to utilize and authorize others to utilize the work without the co-author’s approval. However, a joint owner cannot transfer ownership or grant an exclusive license without the written consent of the others. (17 U.S.C. § 204(a)) In addition, joint authors must provide each other with an accounting of all profits made on the use of the jointly authored work and must divide such profits to reflect each copyright owner’s interest in the work. (*Oddo v. Ries*, 743 F.2d 630 (9th Cir. 1984))

The owner of a copyrighted work under U.S. law is granted the exclusive right to do, or to

authorize others to do the following five acts:

- 1) to reproduce the copyrighted work in whole or in part;
- 2) to prepare adaptations of the work (referred to as "derivative works");
- 3) to perform the work in public;
- 4) to display the work in public; and
- 5) to distribute the work, in whole or in part, to the public. (17 U.S.C. § 105)

The right to reproduce the copyrighted work includes the right to reproduce the entire work or any portion(s) of it in any media or format. Reproduction of copyrighted materials to place them in a digital storage format qualifies as a "reproduction" of the materials which must be authorized by the copyright owner.

The right to prepare adaptations or so-called "derivatives" of the copyrighted work includes the right to translate the work or to recast or transform the work in some way. Thus, a musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment or, condensation cannot be created without the copyright owner's permission.

Derivative works created with copyright owner's permission are separately copyrightable from the original provided that such derivative works demonstrate sufficient "originality."

The right to perform the copyrighted work publicly includes the right to perform, transmit or communicate a performance of the work "at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered." Among the types of places which are considered to be open to the public are bars, restaurants, private clubs, and any place where a member of the public can obtain entrance even if an entrance fee is required. Thus, for example, playing video tapes in private viewing booths which could be rented by customers of the video store for a small fee constituted a public performance of the copyrighted films for which permission of the copyright owner was required. (*Columbia Pictures Industries v. Redd Horne*, 749 F.2d 154 (3d Cir. 1984)) By contrast, in *Columbia Pictures Industries, Inc. v. Professional Real Estate Investors, Inc.*, 866 F.2d 278 (9th Cir. 1989), providing videodiscs for hotel guests to rent did not qualify as a public performance of the discs since hotel rooms are the equivalent of a private home for rent. Such private homes for rent do not qualify as a public place.

Despite the rights granted to the copyright owner under U.S. law, there are numerous restrictions on these exclusive rights. The most notable restrictions are embodied in the First Sale Doctrine and in the Fair Use Doctrine.

The first sale doctrine is based on a longstanding aversion to restraints on the unrestricted right to sell property owned by an individual or entity (right of alienation) under U.S. law. Once a lawfully created object containing a copyright protectable work is sold under this doctrine, the

copyright owner cannot exercise control over that particular copy and cannot preclude its rental or subsequent resale. (U.S.C. § 107) Although the First Sale Doctrine allows the owner of a particular copy to sell, rent, loan or give away the copy without the copyright owner's permission, it does not permit the owner of the copy to reproduce the work, in whole or in part, or to create derivative (modified or adapted) versions of the work without the permission of the copyright owner.

Perhaps the most important limitation on a copyright owner's ability to control her work is contained in the Fair Use Doctrine. The Fair Use Doctrine represents a balance between the two conflicting copyright goals of author compensation and wide public dissemination and use of created works.

In certain limited situations, the doctrine of Fair Use permits the use of a copyrighted work, including its reproduction, in whole or in part, and its distribution, without the permission of the copyright owner, and without compensation. Section 107 of the 1976 Copyright Act sets out four statutory factors which courts consider in determining whether a given use is a "fair" one or not. They are:

- (1)The purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2)The nature of the copyrighted work;
- (3)The amount and substantiality of the portion used in relation to the copyrighted work as a whole;
- (4)The effect of the use upon the potential market for or value of the copyrighted work. (17 U.S.C. § 107)

No one factor is determinative. Although as a general matter a finding of adverse market impact leads to a finding of no fair use, it is not conclusive. Courts may also consider other factors including whether prohibiting the act in question has an adverse impact on the free speech rights guaranteed under the First Amendment of the U.S. Constitution. As a general rule, literary works are subject to a greater amount of protection than factual works such as directories and the like. Consequently, it is generally harder to obtain a fair use exception for the unauthorized reproduction of a literary work than for a fact work. In examining the amount and substantiality of the work used, courts examine both the quantitative amount and the qualitative amount used.

There is no clear amount of copying which automatically qualifies as outside the scope of the fair use doctrine. Courts have found copying of as little as 55 seconds out of a 1 hour and 29 minute film to qualify as outside the scope of fair use. (*Roy Export Co. Establishment v. Columbia Broadcasting System, Inc.*, 503 F. Supp. 1137 *aff'd*, 672 F.2d 1095 (2d Cir. 1982), *cert. denied*, 459 U.S. 826 (1982))

Similarly, copying the “heart of the matter” even if quantitatively small is sufficient to place such copying outside the scope of fair use.

U.S. copyright law recognizes that and commentary and criticism are uses that strongly favor fair use; but they are not absolute fair use situations. Instead, the court's decision will depend upon the application of the four statutory factors. Consequently, in *Basic Books, Inc. v. Kinko's Graphics Corporation*, 758 F. Supp. 1522 (S.D.N.Y. 1991), the use of copyrighted materials for educational purposes did *not* automatically qualify as a fair use. Kinko's practice of reproducing portions of copyrighted works for profit for inclusion in course packs and anthologies for use as classroom textbooks without obtaining the permission of the copyright owner did *not* qualify as fair use. The excerpts in question included articles and chapters from textbooks, including works that were out of print.

Similarly, in *American Geophysical Union v. Texaco Inc.*, 32 U.S.P.Q.2d 1545, *order amended and superceded*, 35 U.S.P.Q.2d 1513 (2d Cir. 1994), *cert. dismissed*, 116 S.Ct. 592 (1995), (2d Cir. 1994), the reproduction of scientific articles for use by researchers did *not* qualify as a fair use. The court relied heavily upon the adverse market impact of such copying by a for-profit company.

Parodies and satires may also qualify as a fair use, for which permission of the original copyright owner is not required. The new work may not “merely supersede” the original but actually transform it into “something new, with a further purpose or different character.” Merely labeling a use as a parody or satire, however, is not sufficient. Instead, the parody must have a “critical bearing on the substance or style of the original composition” to be a fair use. Thus, parodists must not only transform the material in some fashion. They must also limit their copying of the original material to that portion which is necessary to conjure up the original and not simply to free-ride on it. (*Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994))

Finally, home recording of copyrighted television programs for the programs for the purpose of later viewing qualifies as a fair use, even though such taping resulting in the reproduction of the entire work. It should be noted, however, that copying programs for the purpose of creating a home library of such materials is not a fair use. Only time shifting is recognized as a fair use for home recorded materials. (*Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984))

I would like to change the focus of my comments now and discuss briefly the elements required to establish copyright infringement under U.S. law.

Any violation of a copyright owner's five exclusive rights qualifies as copyright infringement. Thus, unauthorized reproductions, distributions, public performances, or public displays of a copyrighted work or the unauthorized creation of a derivative work qualify as copyright infringement. (17 U.S.C. § 501)

The most common forms of copyright infringement are unauthorized reproduction (in whole

or in part) and unauthorized distribution of a copyrighted work.

To establish proof of copyright infringement through the unauthorized reproduction of the work, the plaintiff must establish the unauthorized copying (often referred to as “unlawful appropriation”) of the copyrighted portions of the work. Such unauthorized copying requires substantial similarity between the works and either access to the original work or such great similarity between the two works that the only reasonable explanation for the similarities is that the second work was copied from the first. In order to prove substantial similarity, verbatim (literal) copying is not required. Close paraphrases are also actionable. In determining substantial similarity, courts compare the copyrightable aspects of the works. Thus, similarity of ideas is *not* sufficient to establish copyright infringement.

U.S. copyright law does not grant the first author an absolute monopoly over his creative expression. Thus, if a second author, without knowledge of the first work, creates a work that is substantially similar to the first work, the second author has *not* automatically infringed the first author’s rights. Without access, there can be no unauthorized copying. “Striking similarities” between the two works, however, may be sufficient to establish infringement, even without conclusive evidence of access since, given the nature and extent of such similarities, the only reasonable explanation for them is copying. (*Arnstein v. Porter*, 154 F.2d 464 (2d Cir. 1946)). Access may be inferred if the first work is a famous or popular one. (*Bright Tunes Music Corp. v. Harrisongs Music, Ltd.*, 420 F. Supp. 177 (S.D.N.Y. 1976)) Furthermore, intent to copy is not required. Innocent or subconscious copying is actionable. (*ABKCO Music, Inc. v. Harrisongs Music, Ltd.*, 722 F.2d 988 (2d Cir. 1983))

The U.S. Copyright Office has responsibility for registering copyrighted works. Enforcement of copyright, however, occurs primarily in the courts.

Those who are either the legal or beneficial owner of an exclusive right under U.S. copyright laws may bring civil law suits in U.S. federal district courts in order to enforce their rights against infringers. Such suits are begun by filing a complaint with the court that sets forth the facts to support the complaint. Defendants are provided an opportunity to respond to the allegations in the complaint, to take discovery, to file and respond to motions regarding the disposition of the complaint, to present evidence, including witnesses, and to cross examine the other party's witnesses at a hearing on the merits.

Foreign copyright owners do not need to have their copyrights registered in the U.S. in order to bring suit. U.S. copyright owners, however, must register their work before they can file suit in the U.S. Once the work is registered, copyright owners can seek relief for acts of infringement which occurred prior to registration.

Copyright owners may obtain temporary, preliminary and injunctive relief. (17 U.S.C. § 502) Both temporary and preliminary injunctive relief are usually granted in copyright cases if the plaintiff establishes a *prima facie* case as to validity of copyright and its infringement. Permanent

injunctions are also available upon evidence of copyright infringement and proof that failure to grant the injunction will result in irreparable harm to the copyright owner. Courts routinely grant permanent injunctions upon proof of copyright validity and infringement.

In addition to obtaining injunctive relief, successful copyright owners also routinely receive money damages. By law, a copyright owner is entitled to statutory damages in a sum “not less than \$500 or more than \$20,000” per work infringed so long as the infringed work has been registered with the U.S. Copyright office prior to the acts which gave rise to the claim of infringement. Statutory damages may be increased to \$100,000 per work infringed in cases of wilful infringement. The plaintiff does not have to prove that the defendant’s infringing acts resulted in any actual harm in order to obtain statutory damages. Proof of infringement is enough.

Instead of statutory damages, a copyright owner may elect to receive actual damages including lost sales and the infringer’s profits. As actual damages the court may award

- (1) the plaintiff’s lost sales that resulted from the defendant’s infringing acts; and
- (2) the defendant’s profits resulting from its infringing acts so long as such profits have not already been taken account of as a result of calculating the plaintiff’s lost sales

In establishing the infringer’s profits, the copyright owner is only required to prove the infringer’s gross revenue. The defendant infringer must establish deductible expenses as well as those “elements of profit attributable to factors other than the copyrighted work. Any doubt as to computation (as opposed to the fact of damages) is resolved in favor of the plaintiff. (*Shapiro, Bernstein & Co. v. Remington Records, Inc.*, 265 F.2d 263 (2d Cir. 1959))

The court has the discretion to award full costs and attorney’s fees to the prevailing party in a copyright infringement suit. (17 U.S.C. §505)

On court order, a plaintiff may also obtain a seizure of the infringing goods and those items which are used in their production. This seizure may occur without notice to the defendant in order to assure that the goods are not destroyed before they can be taken into custody. If infringement is proven the court may order the destruction of “all copies ... manufactured, reproduced, distributed, sold, or otherwise used, intended for use, or possessed with intent to use” and “all plates, molds, matrices, masters, tapes, film negatives, or other articles by means of which such copies... may be reproduced, and all electronic, mechanical, and other devices for manufacturing, reproducing, or assembling such copies.” (17 U.S.C. § 509)

U.S. law provides for recovery against the person who is directly responsible for the infringing acts, the person who has the right and ability to supervise the parties engaged in the unauthorized activities and who had a direct financial interest in the exploitation of the copyrighted material may be jointly and severally liable for infringement. Such party does not have to have actual knowledge of the acts in question or that they constituted copyright infringement.

Under this doctrine, officers and directors of closely held corporations may be held liable, even if they did not personally participate in the infringement. (*Mallven Music v. 2001 VIP of Lexington, Inc.*, 230 U.S.P.Q. 543 (E.D. Ky 1986)) Similarly, advertising agencies or radio stations that advertise piratical copies may in certain instances be held liable for copyright infringement. (*Screen Gems-Columbia Music, Inc. v. Mark-Fi Records, Inc.*, 256 F. Supp. 399 (S.D.N.Y. 1966))

Finally, recovery is also available against the person who knew of the infringing activity and induced, caused or materially contribute to it. (*Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159 (2d Cir. 1971)) The person does not have to know that the acts in question constitute copyright infringement to be held liable.

Infringers may also be prosecuted under criminal law. Such prosecutions generally require either trafficking in pirated goods or infringement "for purposes of commercial advantage or private financial gain. Conviction results in monetary fines up to \$250,000 and prison terms of up to 10 years. Repeat offenders are given harsher penalties. In addition infringing goods and their means of production are generally seized and destroyed. (18 U.S.C. §§ 2318, 2319)

Despite differences between U.S. and copyright laws, there are, as you can see, strong similarities. Both systems are faced with the challenge of meeting the problems posed by new technologies and both will be revising and perfecting their laws in order to meet these new challenges.