

**SUPERMAN, THE GRAPES OF WRATH, HARRY POTTER  
(AND BARBIE AND THE BRATZ):  
The 2008 Copyright Year in Review**

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**CHAPTER 1**



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# SUPERMAN, THE GRAPES OF WRATH, HARRY POTTER (AND BARBIE AND THE BRATZ): The 2008 Copyright Year in Review

## I. INTRODUCTION

The past year involved a number of notable copyright cases. *Harry Potter* author J.K. Rowling and her publisher sued to stop publication of an unauthorized encyclopedia based on her works. John Lennon's heirs sued to stop the use of a fifteen-second excerpt from his song, "Imagine," in a film concerned with the scientific community's adherence to Darwinian evolution. A movie studio learned just before Christmas that it didn't have the right to distribute a blockbuster film scheduled for release less than three months later. And in the highly technical area of termination and recapture of copyrights previously alienated away, two noteworthy decisions were issued. One involved the efforts of the heirs of one of the creators of the Superman character to recapture the copyright to the character. Another involved two of the heirs of John Steinbeck suing to recapture the copyright to many of Steinbeck's works.

Notable settlements and verdicts included the pending settlement of the litigation surrounding Google's Library project, and a \$3 million settlement of litigation involving allegedly infringed software. The nine-figure jury verdict in the "Barbie and the Bratz" case also drew attention.

Significant legislative efforts also took place in 2008. The PRO-IP Act was passed, and the ball was advanced on proposed legislation for "orphan works."

## II. NOTABLE COPYRIGHT CASES OF 2008

### A. Ownership

The day before Christmas, a California court had to decide whether or not Warner Brothers, which intended to release its "big-budget comic-book feature 'Watchmen'" in a mere 72 days, owned any right to distribute the film in the first place; the court held that it did not. *Twentieth Century Fox Film Corp. v. Warner Bros. Ent'mt*, 2008 WL 5429687 (S.D. Cal. Dec. 24, 2008).

In 1986, plaintiff 20th Century Fox optioned the rights to *Watchmen*, which it exercised in 1990 through payment of \$320,000 for the rights. *Id.* at \*2. Fox and producer Lawrence Gordon entered into an agreement under which Fox conveyed to a corporate entity of Gordon's all Fox's rights to *Watchmen*, except for the right to distribute the first *Watchmen* movie, which rights Fox reserved to itself. *Id.* In 1994, Gordon and Fox executed a Settlement and Release that identified *Watchmen* as a "[Gordon] limbo project" and obligated the parties to put the film

in "turnaround," thus giving Gordon the right to buy all of Fox's rights in *Watchmen* for a buyout price. *Id.* This effect of the Turnaround Notice was dramatic:

In the Court's view, Gordon's agreement to and execution of the Turnaround Notice indicates a clear understanding that Fox owned important rights in "Watchmen," including, at the very least, a distribution right, and that Gordon was required to comply with the terms and conditions of the buy-out if he wanted to acquire those rights. Because Gordon never paid the buy-out price, he never acquired Fox's rights in "Watchmen," and those rights therefore remain with Fox.

*Id.* at \*3. The court went on to hold that nothing in any later agreement affected Fox's interest. *Id.* Moreover, Warner Brothers' own purported rights derived from an option to acquire Gordon's rights, which option Warner Brothers exercised *after* having notice of Fox's claim and having received the supporting documentation. *Id.* As such, Warner Brothers' interest was second-in-line to Fox's, and summary judgment of infringement was properly awarded to Fox. *Id.* (Unsurprisingly, the case settled on January 16, 2009. See 2009 WL 135029.)

### B. Derivative Works

One of the rights possessed by a copyright holder is the right to create, and to control the production of, derivative works. See 17 U.S.C. 106(2). The Copyright Act defines "derivative work" as:

a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a derivative work.

17 U.S.C. 101. In one of the higher-profile copyright cases of 2008, the author of the *Harry Potter* novels sought to enjoin the publication of an unauthorized *Harry Potter* encyclopedia to be titled "The Lexicon: An Unauthorized Guide to *Harry Potter* Fiction and Related Materials."

#### 1. The *Harry Potter* Lexicon case

In *Warner Bros. Entm't, Inc. v. RDR Books*, 575 F.Supp.2d 513 (S.D. N.Y. 2008), better known as the "Harry Potter Lexicon" case, a publishing company

who intended to publish a book titled *The Lexicon* was sued by author J.K. Rowling and Warner Bros., which held the film rights to the Harry Potter books. *The Lexicon*, essentially an encyclopedia to the world of Harry Potter, was the work of Steven Vander Ark, a librarian and fan of the series. Vander Ark previously had created the popular “The Harry Potter Lexicon” website, which debuted in 2000 and featured a number of indexed lists of people, places and things from the novels, e.g., the “Encyclopedia of Spells,” “Encyclopedia of Potions, Wizards, Witches, and Beings,” and “Gazetteer of the Wizarding World.” It also featured commentaries, essays, timelines, forums, and interactive data. The website was popular not only with fans of the series, but with Rowling and her publishers.<sup>1</sup>

In August 2007, Vander Ark was approached by RDR Books about publishing a Harry Potter encyclopedia based on the materials from the Lexicon website. Vander Ark knew that Rowling had publicly stated her intent to one day publish a Harry Potter encyclopedia, and worried about the permissibility of the project. However, RDR reassured him that it “had looked into the legal issue and determined that publication of content from the Lexicon website in book form was legal.” *Id.* at 522. RDR added a clause to its publishing contract providing that it would defend and indemnify Vander Ark should litigation arise, and the deal was struck. *Id.*

The version of the Lexicon encyclopedia ultimately introduced into evidence was over 400 pages long, with 2,437 alphabetically organized entries. *Id.* at 524. It was created from the content on the Lexicon website. *Id.* at 525. “The Lexicon entries cull every item and character that appears in the *Harry Potter* works, no matter if it plays a significant or insignificant role in the story. The entries cover every spell . . . potion . . . magical item or device . . . form of magic . . . creature . . . character . . . that appear in the *Harry Potter* works.” *Id.*

The Lexicon encyclopedia was scheduled for release in October 2007. However, Rowling’s literary agent learned of the publication, and after extensive communication between the parties during September and October 2007 failed to persuade RDR Books to cease or delay publication, the plaintiffs filed suit on Halloween, 2007. *Id.* at 523-24.

Ultimately, the trial court consolidated an evidentiary hearing on plaintiffs’ preliminary

injunction motion with a trial on the merits. Among other things, the plaintiffs asserted that the Lexicon encyclopedia was an infringing derivative work. They cited Second Circuit precedent in which a guide to the *Twin Peaks* television series that “contain[ed] a substantial amount of material from the teleplays, transformed from one medium to another,” was held to be a derivative work of the series. *See id.* at 539, citing *Twin Peaks Prods., Inc. v. Publ’ns Int’l, Ltd.*, 996 F.2d 1366, 1373 (2d Cir. 1993).

However, the trial court disagreed, and found for the defendants on this issue. It distinguished *Twin Peaks*, asserting that there, the plot summaries so elaborately recounted the plot details as to amount to an abridgement of the teleplays. In contrast, the Lexicon’s recounting of plot elements was not so elaborate, and didn’t follow the same plot structure as the novels. *Id.* at 539. Moreover, and more importantly, the material copied from the novels was not merely transformed into a different media as in *Twin Peaks*. Instead, as the court saw it, the condensation and reorganization of the copied material into an alphabetically arranged reference guide gave the material “another purpose . . . to give the reader a ready understanding of individual elements in the elaborate world of *Harry Potter* that appear in voluminous and diverse sources.” *Id.* As such, the Lexicon no longer “represent[ed] original work[s] of authorship” as required by the Copyright Act’s definition of a derivative work, and fell outside the examples identified in the Act. *Id.*

The defendants thus prevailed rather easily on this aspect of the case. However, they would face a much more difficult challenge in proving their fair use defense, as discussed below.

### C. Fair Use

Section 107 of the Copyright Act codifies the judge-made fair use defense to an infringement claim. The defense exists to “fulfill copyright’s very purpose, ‘To promote the Progress of Science and useful Arts,’” which it does by balancing the needs “to protect copyrighted material and to allow others to build upon it.” *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 575 (1994) (quoting the Intellectual Property clause of the Constitution). Section 107 provides for consideration of four factors in determining whether a defendant has established the defense:

- (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, and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

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<sup>1</sup> Rowling, in fact, posted praise for the Lexicon website on her own website, calling the Lexicon “such a great site that I have been known to sneak into an internet café while out writing and check a fact rather than go into a bookshop and buy a copy of Harry Potter (which is embarrassing). A website for the dangerously obsessive; my natural home.” *Id.* at 521.

17 U.S.C. §107. Where established by a defendant, fair use is a complete defense to an infringement claim. *Id.* (“fair use of a copyrighted work . . . is not an infringement of copyright”). The defense was at issue in two very high profile cases in 2008, the aforementioned Harry Potter Lexicon case, as well as a case involving an alleged fair use in a movie of an excerpt from John Lennon’s song “Imagine.”

### 1. The Harry Potter Lexicon case

The Lexicon entries included numerous instances of verbatim copying as well as what the court termed “close paraphrasing.”<sup>2</sup> *Warner Bros. Entm’t, Inc. v. RDR Books*, 575 F.Supp.2d 513, 530 (S.D. N.Y. 2008). The defendants argued, however, that the Lexicon was a fair use of the Harry Potter works.

Evaluating the first fair use factor, the court found that the Lexicon’s use of the Harry Potter novels was transformative, as it served “the practical purpose of making information about the intricate world of *Harry Potter* readily accessible to readers in a reference guide.” *Id.* at 541. However, the Lexicon also used material from some of J.K. Rowling’s companion books,<sup>3</sup> which (unlike the novels) also could be used as references; Vander Ark himself admitted that the companion books were “essentially encyclopedias already.” *Id.* Still, the court found that even as to these works, the Lexicon made a slightly

<sup>2</sup> As an example of close paraphrasing, the Lexicon entry for “Chinese Fireball” read as follows:

A species of dragon native to China. The Fireball is a scarlet dragon with golden spikes around its face and protruding eyes. The blast of flame from a fireball forms a distinctive mushroom shape. Eggs of a Fireball are vivid crimson, flecked with gold.

*Id.* at 530-31. Rowling’s original language in her work “Fantastic Beasts & Where to Find Them” read:

The only Oriental dragon. Scarlet and smooth-scaled, it has a fringe of golden spikes around its snub-snouted face and extremely protuberant eyes. The Fireball gained its name for the mushroom-shaped flame that bursts from its nostrils when it is angered. . . . Eggs are a vivid crimson speckled with gold.

*Id.* at 530.

<sup>3</sup> The companion books were “Quidditch Throughout the Ages,” recounting the history and development of the imaginary sport, and “Fantastic Beasts & Where to Find Them,” an “A-to-Z encyclopedia of the imaginary beasts and beings that exist in *Harry Potter*’s fictional world.” *Id.* at 519.

transformative use by synthesizing the material from these books within a complete reference guide that pointed readers to the precise place among all Rowling’s works where desired information could be found. *Id.* at 542.

Given the creative and highly imaginative nature of Rowling’s works, the second factor clearly favored the plaintiffs. *Id.* at 549.

As to the third factor (the amount and substantiality of the use), the court phrased its inquiry as “whether the amount and value of Plaintiffs’ original expression used are reasonable in relation to the Lexicon’s transformative purpose of creating a useful and complete A-to-Z reference guide to the *Harry Potter* world.” *Id.* at 546. The court recognized that this purpose reasonably required Vander Ark to make “considerable use” of the source material. *Id.* However, the court found troubling the Lexicon’s verbatim copying and close paraphrasing of the author’s language. “The Lexicon’s verbatim copying of . . . highly aesthetic expression raises a significant question as to whether it was reasonably necessary for the purpose of creating a useful and complete reference guide.” *Id.* at 547. For example:

the Lexicon entry for “Mirror of Erised” replicates Rowling’s original language . . . to describe a mirror: “A magnificent mirror, as high as a classroom ceiling, with an ornate gold frame, standing on two clawed feet.” Verbatim copying of this nature demonstrates Vander Ark’s lack of restraint due to an enthusiastic admiration of Rowling’s artistic expression, or perhaps haste and laziness as Rowling suggested . . . in composing the Lexicon entries.

*Id.* at 547-48. The court found the third factor “tip[ped] against” a finding of fair use as to the novels. *Id.* at 547. As to the companion books, the court found the question far easier, as “the Lexicon takes wholesale from these short books.” *Id.* at 548-49 (deciding that the third factor weighed more heavily against fair use as to the companion books).

Evaluating the fourth factor, the court found that the Lexicon did not present any potential harm to the market for the *Harry Potter* novels; the encyclopedia and the novels would be “enjoyed for different purposes.” *Id.* at 550. However, because it would harm the market for Rowling’s companion books, the fourth factor tipped in the plaintiffs’ favor. *Id.* at 551.

Balancing the factors, the court found that the defendants had failed to establish the fair use defense. Vander Ark simply had taken too much of the original source material. *Id.*

The court went on to grant the plaintiffs’ request for a permanent injunction against publication of the

Lexicon. *Id.* at 552-53. It also awarded them the minimum amount of statutory damages (\$750 per infringed work, totaling \$6,750.00), in view of the fact that the Lexicon had not been published and the fact of infringement itself was the only harm the plaintiffs had suffered. *Id.* at 553-54.

## 2. The John Lennon “Imagine” case

The unauthorized use in a movie of a fifteen-second, ten-word excerpt from John Lennon’s 1971 song “Imagine,” and use of those ten words in a subtitle, were at issue in *Lennon v. Premise Media Corp.* (S.D. N.Y. 2008). The ten words were “Nothing to kill or die for / And no religion too.” The suit was filed by Lennon’s widow, his two sons, and the publishing administrator of the song. *See* Dkt. #1 (Complaint). They sued the makers of the documentary film, “Expelled: No Intelligence Allowed,” alleging willful copyright infringement as well as a Lanham Act trademark claim. *Id.* The movie is “a critique of the scientific establishment’s adherence to Darwinian evolution theory and rejection of ‘Intelligence Design,’ a competing theory. . . .” *See* Dkt. #14 (Pltf’s Mem. of Law), at 6-7. During the fifteen seconds that the song played, four images were depicted on screen: a large circle of schoolchildren in a classroom, an individual girl “spinning in playful bliss,” a Soviet national parade “at the height of the Cold War,” and finally, the image of Joseph Stalin. *See* Dkt. #30 (Def’t’s Mem. of Law), at 8.

The plaintiffs moved for a TRO, preliminary injunction, and expedited discovery. They argued that the fair use doctrine could not shield defendants’ use of the clip and lyrics. *See* Dkt. #14 at 16-22. They argued that the use of the song was commercial, unnecessary, and for entertainment rather than informational purposes, thus failing the first prong of the test. *Id.* at 17-19. They also argued that the clip length was excessive, because the song “is immediately recognizable by its title alone, much less from the first note played,” thus violating the third prong. *Id.* at 20. And they argued that the defendants’ use of the clip harmed the market for the song, apparently on the theory that (i) any association between the song and the film was harmful to the song’s market, and (ii) the clip was long enough to leave the public “keenly aware” that they had heard it played during the film. *Id.* at 21-22.

Defendants responded vigorously. *See* Dkt. #30, at 5-19. As to the first prong, they argued that their use of the song was highly transformative,<sup>4</sup> on the

theory that the film criticized the song and what the defendants described as its “anti-religious message.” *Id.* at 7; *see also id.* at 10 (“*Expelled* uses *Imagine* to not only present a social critique; it holds *Imagine* up for explicit and implicit criticism and discussion, and uses *Imagine* precisely because it typifies the viewpoint the Film seeks to criticize.”). They also pointed out that necessity (largely the basis for plaintiffs’ attack on the first prong) simply is not the test for satisfying the first prong. *Id.* at 11. The defendants admitted as they had to that the film was a commercial work, but argued that its commercial nature should be significantly outweighed by its highly transformative purpose. *Id.* at 13-14.

The defendants next argued that the film’s highly transformative purpose rendered the second prong largely useless. *Id.* at 14. As to the third prong, they argued that the test was not whether more of the song had been copied than was necessary, but whether the amount of copying was reasonable in relation to the filmmakers’ purpose in using the song. *Id.* at 15.

As to the fourth prong, the defendants argued that harm to the market for a work that arises from criticism of the work is not cognizable, because copyright owners wouldn’t be expected to license criticism of their work. *Id.* at 17. They also argued that any market harm arising from a mistaken belief by the public that the plaintiffs had licensed the use of “Imagine” in the film should not affect the defendants’ fair use rights, but should simply be corrected by the plaintiffs. *Id.* at 18.

On June 2, 2008, the district court ruled in favor of the filmmakers, and denied the plaintiffs’ motion for a preliminary injunction, holding that the filmmakers were likely to prevail at trial on their fair use defense. *Lennon v. Premise Media*, 556 F.Supp.2d 310, 316 (S.D. N.Y. 2008).

The court first found the defendants’ use of the song highly transformative, such that the commercial nature of the use weighed only weakly against a finding of fair use. *Id.* at 322-25. The court held that the clip from the song was included in the movie for purposes of criticism and commentary. *Id.* at 322. In the court’s view:

Defendants’ use is . . . transformative because they put the song to a different purpose, selected an excerpt containing the ideas they wished to critique, paired the music and lyrics with images that contrast with the song’s utopian expression, and placed the excerpt in the context of a debate regarding the role of religion in public life.

<sup>4</sup> In the Second Circuit, a use of a work is transformative if it does not “merely supersede[ ] the objects of the original creation” but “instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message. . . .

[Transformative uses] lie at the heart of the fair use doctrine’s guarantee of breathing space within the confines of copyright.” *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605, 612 (2d Cir. 2006).

*Id.* at 324.

The court found the second factor (creative nature of “Imagine”) weighed weakly against a fair use finding. *Id.* at 325. As to the third factor, which has both a quantitative and qualitative component, the court found the first component clearly favored the filmmakers, as they used but fifteen seconds of a song that ran three minutes in duration, and excerpted only the portion of the song that expressed the idea they wished to critique, without copying any other portion of the song. *Id.* at 325-26. As to the qualitative component, the court held that “Imagine” is musically repetitive (a finding it based on the plaintiffs’ expert report), “and it is not clear that defendants could have used any portion of the song without ending up with an excerpt that referenced a significant part of the overall composition.” *Id.* at 326. The third factor thus favored the defendants.

Evaluating the fourth factor, the court found no evidence that permitting the defendants to use the fifteen-second clip would usurp the market for licensing “Imagine” for traditional uses. *Id.* at 327. The fourth factor thus did not weigh strongly against fair use, if it weighed against it at all. *Id.*

Balancing the factors, the court found they “clearly favor[ed] a finding of fair use.” *Id.*<sup>5</sup>

#### D. Copyrightability

Section 102 of the Copyright Act explains the types of works that may merit copyright protection; copyrightable subject matter, if you will. *See* 17 U.S.C. 102. Copyrightable works are “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, either directly or with the aid of a machine or device.” *Id.* 102(a). That cumbersome description is supplemented with a list of eight categories of works of authorship that can fill the bill: literary works, musicals, dramatic works, pantomimes, pictorial, graphical and sculptural works, movies, sound recordings, and architectural works. *Id.*

However, Section 102(b) admonishes that ideas, procedures, processes, systems, methods of operation, concepts, principles or discoveries are not copyrightable. Additionally, “expressions that are standard, stock, or common to a particular subject matter or are dictated by external factors are not protectable under copyright law [pursuant to] . . . the *scenes a faire* doctrine.” *R. Ready Productions, Inc. v. Cantrell*, 85 F.Supp.2d 672, 681 (S.D. Tex. 2000). Examples include “a giant summer clearance sale” and “your trade may never be worth more,” both

unprotectable under the *scenes a faire* doctrine as standard retail sales slogans. *Id.* at 686.

#### 1. Literary/Film Characters (“Eleanor the car”)

In *Halicki Films, LLC v. Sanderson Sales & Marketing*, the Ninth Circuit considered copyright and trademark claims pertaining to the 1974 film “Gone in 60 Seconds,” directed and produced by the late Toby Halicki (a remake starring Nicolas Cage was released in 2000). *Halicki*, 547 F.3d 1213, 1217-18 (9th Cir. 2008). Among the issues in the case was the question whether a car named Eleanor featured in both the original and remake was entitled to copyright protection. The district court initially did not reach the issue, but would be required to on remand; the Ninth Circuit considered the issue to guide the trial court’s remand determination. *Id.* at 1224-25.

Reviewing its precedent, the court noted that it previously had “reasoned that literary characters are difficult to delineate and may be based on nothing more than an unprotected idea.” *Id.* at 1124, citing *Warner Bros. Pictures, Inc. v. Columbia Broad. Sys., Inc.*, 216 F.2d 945, 950 (9th Cir. 1954). Indeed, “*Warner Bros.* held that a character could only be granted copyright protection if it ‘constituted the story being told.’” *Id.*

A more relaxed standard, however, applied to cartoon/comic-book characters, which the Ninth Circuit had found have “physical as well as conceptual qualities, [and are] more likely to contain some unique elements of expression.” *Id.*, citing *Walt Disney prods. v. Air Pirates*, 581 F.2d 751, 755 (9th Cir. 1978). Similarly, characters that have been visually depicted in a TV series or movie may be entitled to copyright protection, particularly where they display “consistent, widely identifiable traits.” *Id.* (citing cases that recognized copyright protection for Godzilla, James Bond, and Rocky Balboa).

Synthesizing these precedents to provide guidance for the trial court’s eventual determination of whether Eleanor qualified for copyright protection, the Ninth Circuit decided she was more like a comic book character than a literary character, and found that she displayed consistent, widely identifiable traits, and was especially distinctive. *Id.* at 1225. The court’s substantiation of these conclusions was a bit thin, stating only:

In both films, the thefts of the other cars go largely as planned, but whenever the main human character tries to steal Eleanor, circumstances invariably become complicated. In the Original GSS, the main character says, “I’m getting tired of stealing this Eleanor car.” And in the Remake GSS, the main character refers to his history with Eleanor.

<sup>5</sup> The plaintiffs ultimately voluntarily dismissed the case in September, 2008. *See* Dkt. ## 61, 63.

*Id.* Ultimately, this fact-intensive issue was remanded for an explicit finding whether Eleanor merited copyright protection. *Id.*

## 2. Turkey Oven Bag Cooking Instructions

The answer to the pressing question whether one may copyright instructions for cooking turkey in an oven bag must await another day, following the settlement of *Reynolds Foil, Inc. v. Pactiv Corp.*, Case No. 3:08-cv-432 (E.D. Va.). There, Reynolds Foil sued competitor Pactiv--marketer of its own turkey over bags under its Hefty brand--for, among other things, alleged copying of the cooking instructions that accompany Reynolds' oven bags. *See* Dkt. #1 (also asserting Lanham Act claims along with state law deceptive trade practice and unfair competition claims).

Defendant Pactiv defended against the copyright claim by pointing out the limited ways to cook turkey in a bag and the limited way to write instructions describing such process. *See* Dkt. #20 at 5. It argued that Reynolds' cooking instructions were not copyrightable, as they consisted entirely of uncopyrightable facts. *Id.* at 10 (highlighting 37 C.F.R. 202.1, the Copyright Office regulation that identifies methods and lists of ingredients as examples of noncopyrightable material); *see also id.* at 11 (citing *Publication Int'l, Ltd. v. Meredith Corp.*, 88 F.3d 473, 480-81 (7th Cir. 1996) (no copyright in instructions for food preparation)).<sup>6</sup>

Ultimately, however, the district court did not decide the issue, as the parties settled pursuant to a permanent injunction proposed by Pactiv that involved phasing out its inventory of existing bags and packages, but permitting Pactiv to market its product with revised packaging design and instructions. *See* Dkt. ## 26-27.

## E. Termination and Recapture: An author's second bite at the apple

In certain circumstances, a transfer or license of a copyright may be terminated without consent of the transferee/licensee. This is in fact the intended result of Congress's enactment of 17 U.S.C. §203 (applicable to transfers and licenses executed on or after January 1, 1978) and §304 (applicable to transfers and licenses executed before January 1, 1978).

When Congress enacted the Copyright Act of 1976, it gave authors and their heirs the right, for the

first time, to terminate a prior grant of their copyright in their works. However, it did so by creating "intricate provisions [that] oftentimes create unexpected pitfalls that thwart of blunt the effort of the terminating party to reclaim the full measure of the copyright . . . ." *Siegel v. Warner Bros. Entm't Inc.*, 542 F.Supp.2d 1098, 1117 (C.D. Cal. 2008). Section 304(c) of the Copyright Act sets out the following framework:

- The prior grant (e.g., transfer, license) of a copyright may be terminated at any time during a five year window that is at least 56, but not more than 62, years from the date the copyright originally was secured;<sup>7</sup>
- The author or his / her heirs must serve a signed, written notice of termination on the grantee or its successor in title, which notice must state the effective date of the termination, and also must be recorded in the Copyright Office before the effective termination date;<sup>8</sup>
- The termination notice also must comply with Copyright Office regulations,<sup>9</sup> which include specifically identifying in the notice "each work as to which the notice of termination applies";<sup>10</sup>
- The termination only affects U.S. copyright rights, and has no impact on, among other things, transfers of foreign copyright rights;<sup>11</sup>
- The termination and recapture right is inalienable; termination of the prior grant may be made "notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant"<sup>12</sup>

<sup>7</sup> 17 U.S.C. §304(c)(3). For works created before January 1, 1978, "the date copyright was secured" means the actual date on which the work was first published along with a proper copyright notice; for unpublished works, it means the date of registration with the Copyright Office. *See* 2 Patry on Copyright, §7.43.

<sup>8</sup> *Id.* §304(c)(4).

<sup>9</sup> *Id.* §304(c)(4)(B).

<sup>10</sup> 37 C.F.R. §201.10(b)(1)(ii). Notably, given the highly technical nature of the termination process, "[h]armless errors in a notice that do not materially affect the adequacy of the information required to serve the purposes of . . . Section 304(c) . . . shall not render the notice invalid." *Id.* §201.10(e)(1).

<sup>11</sup> 17 U.S.C. §304(c)(6)(E). *See* 3 Nimmer on Copyright §11.02[B]{1} at 11-17 ("[T]o the extent that a grant includes rights based upon federal law other than the Copyright Act, state law, or foreign law, such rights are not subject to termination.").

<sup>12</sup> 17 U.S.C. 304(c)(5).

<sup>6</sup> For an entertaining case involving the cookbooks *Cowboy Chow* and *License to Cook Texas Style*, *see Barbour v. Head*, 178 F.Supp.2d 758, 762-63 (S.D. Tex. 2001) (fact issues precluded awarding summary judgment to movant who argued that book of recipes was not copyrightable).

However, this framework does not apply to works made for hire, for which no termination or recapture is available, since the one who commissioned the work is viewed as the work's author. *See* 17 U.S.C. 304(c).

Congress's purpose in creating the termination and recapture rights was to "attempt[ ] to give the author a second chance to control and benefit from his work," as well as to give the author's family the chance to benefit from the work if the author has died. *See Stewart v. Abend*, 495 U.S. 207, 218 (1990). Congress recognized "that young authors frequently enter into long-term contracts with publishers when their bargaining power is weak and their prospects for success uncertain, and discover increased leverage only when they later achieve commercial success." *Penguin Group (USA) Inc. v. Steinbeck*, 537 F.3d 193, 197 (2d Cir. 2008); *see also* H.R. Rep. No. 1476, 94th Cong., 2d Sess. 124, at 5739 (noting that this "result[s] in part from the impossibility of determining a work's prior value until it has been exploited"). "Congress permitted a publisher the opportunity to reap the initial rewards of an early investment in young talent, but it allowed authors to revisit the terms of earlier grants of rights once the long-term success of their works became apparent." *Steinbeck*, at 197.

These provisions figured prominently in two cases from 2008, one involving the rights to John Steinbeck's numerous works, the other involving the rights to Superman.

### 1. *Siegel v. Warner Bros. (the Superman case)*

The widow and daughter of Jerome Siegel, who in partnership with illustrator and high school classmate Joseph Shuster created "the iconic comic book superhero" Superman, sued to terminate a 1938 grant made by Siegel and Shuster of "all . . . exclusive rights" to Superman, in favor of publisher Detective Comics. *Siegel*, 542 F.Supp.2d 1098, 1102, 1107 (C.D. Cal. 2008). In return for their 1938 grant, Siegel and Shuster had received \$130. *Id.* at 1107.

The court's opinion, deciding the result of the Siegels' efforts, is compelling reading, tracing the fascinating story of Siegel and Shuster's early struggles to successfully publish the character, which on one occasion so frustrated illustrator Shuster that he "threw into the fireplace all the art for the story except the cover . . . which Siegel rescued from the flames." *Id.* at 1103. The opinion also details the litigation and negotiations between the authors and the publishers over the many ensuing years, and the financial hardships endured by Siegel and Shuster. *Id.* at 1112-13.

Superman first was published by Detective Comics in *Action Comics*, Vol. 1, which had a cover date of June, 1938. *Id.* at 1110. Prior to that issue, Detective Comics had run certain promotional ads

featuring black-and-white images of Superman. *Id.* at 1108-09.

The Siegels largely succeeded in their efforts to terminate and recapture the domestic copyright rights Jerome Siegel had granted away seventy years earlier. The court did find against them on some issues, such as ruling that they could not recapture the rights to the Superman content in the early promotional ads run by Detective Comics, because the date the copyright in those ads was secured fell outside the 5-year window. *Siegel*, at 1123, 1126. However, those ads omitted, among other things, any indication of "the Superman story line," such as his name, his alter ego Clark Kent, his origins, and his "heroic abilities." *Id.* at 1126. Thus, the only impact of the ads was "that defendants may continue to exploit the image of a person with extraordinary strength who wears a black and white leotard and cape." *Id.*

The defendants argued that under the work for hire doctrine, they were the authors of the Superman material in the first published comic, contending that the material either was created by their in-house employees, or was added by Siegel and Shuster at the defendants' direction. *Id.* at 1127. However, the court held these arguments were collaterally estopped by prior litigation between the parties.<sup>13</sup>

Importantly, the Siegels successfully terminated and recaptured only their U.S. copyright rights, and were held not entitled to an accounting of the defendants' foreign profits. *Id.* at 1140-42 (citing 17 U.S.C. 304(c)(6)(E)). "[A]ll plaintiffs have gained from the termination right is a recapturing of the *domestic* copyright in the Superman material published in *Action Comics*, Vol. 1. Defendants continue to hold, unaffected, separate rights to that copyright arising under *foreign* laws." *Id.* at 1141. This left the Siegels in the position of co-owner of the U.S. copyright rights in Superman, with the defendants retaining co-ownership through their rights flowing from illustrator Shuster's grant. *Id.* at 1142. And defendants' ownership of trademark rights, and profits flowing from those rights, were unaffected. *Id.* at 1142-43.

<sup>13</sup> Indeed, the prior litigation reached the Second Circuit, which held:

Superman and his miraculous powers were completely developed long before the employment relationship was instituted. . . . [T]he revisions directed by the defendants were simply to accommodate Superman to a magazine format. We do not consider this sufficient to create the presumption that the strip was a work made for hire.

*Siegel v. National Periodical Publications, Inc.*, 508 F.2d 909, 914 (2d Cir. 1974).

Concluding, the court wrote “[a]fter seventy years, Jerome Siegel’s heirs regain what he granted so long ago -- the copyright in the Superman material that was published in *Action Comics*, Vol. 1. What remains is an apportionment of profits . . . and a trial on whether to include the profits generated by DC Comics’ corporate siblings’ exploitation of the Superman copyright.” *Id.* at 1145.

## 2. *Penguin Group (USA) Inc. v. Steinbeck*

The termination and recapture provisions also were at issue in this case involving a dispute among the heirs of John Steinbeck, the author of the *Grapes of Wrath*, *Of Mice and Men*, and numerous other works. *Steinbeck*, 537 F.3d 193 (2d Cir. 2008).

In 1938, John Steinbeck entered into an agreement with Viking Press, giving them the sole and exclusive right to publish his works in the U.S. and Canada, with Steinbeck receiving royalties based on net sales. *Id.* at 196. The agreement provided that it bound Steinbeck’s heirs. *Id.*

When Steinbeck died in 1968, he bequeathed his interest in the copyrights covered by the 1938 Agreement to his widow Elaine. *Id.* In 1994, Elaine and Penguin (who had been assigned Viking’s rights under the 1938 Agreement) entered into a new agreement that covered all the works in the 1938 Agreement, added some other works and some of Elaine’s own works, and improved the economic terms to Elaine’s benefit (e.g., by basing the royalties on retail rather than wholesale prices). *Id.*

When Elaine died in 2003, she left her copyright interests, plus the right to the proceeds from the 1994 Agreement, to various heirs including her children and grandchildren from a previous marriage, but specifically excluded Thomas Steinbeck and John Steinbeck IV—the two sons of John Steinbeck’s from a prior marriage—and their heirs. *Id.* at 197.

On June 13, 2004, Thomas Steinbeck and the surviving son of John Steinbeck IV served on Penguin a purported notice of termination of the grants made to Viking under the 1938 Agreement. *Id.*<sup>14</sup>

<sup>14</sup> The five-year window provided by 17 U.S.C. 304(c) actually had expired without ever being exercised with respect to any of the copyrights covered by the 1938 Agreement. *Steinbeck*, at 199. However, when Congress extended the copyright term in 1998, it provided an additional window of time (a five-year window beginning 75 years from the date copyright originally was secured), during which the termination right could be exercised, if it had not been already. *See* 17 U.S.C. 304(d). The termination notice served by Thomas Steinbeck et al in 2004 purported to terminate the 1938 grants of copyright licenses within each covered work’s Section 304(d) termination period. *See Steinbeck*, at 199.

The dispute ended up in the District Court for the Southern District of New York, which held for Thomas Steinbeck et al., granting summary judgment and upholding the validity of the 2004 termination notice. *Steinbeck v. McIntosh & Otis*, 433 F.Supp.2d 395, 401 (S.D. N.Y. 2006). However, in an appeal decided this year, the Second Circuit reversed.

The Second Circuit quickly boiled the case down to the essential inquiry: since the termination right may be exercised *by parties other than the author* only if the grant was made before January 1, 1978, the key question was whether the 1938 Agreement remained in existence at the time Thomas Steinbeck et al served the 2004 termination notice, or whether the 1938 Agreement no longer existed in view of Elaine Steinbeck’s 1994 Agreement with Penguin. *Steinbeck*, at 200. The Second Circuit concluded that the 1938 Agreement had been terminated and superseded by the 1994 Agreement, thus “leaving in effect no pre-1978 grants to which the termination rights provided by section 304(d) could be applied.” *Id.*

Nor was the 1994 Agreement invalid as an “agreement to the contrary” under 17 U.S.C. 304(c)(5), as the Second Circuit declined to “read the phrase ‘agreement to the contrary’ so broadly that it would include any agreement that has the effect of eliminating a termination right.” *Id.* at 202. The court expanded on this point:

[N]othing in the statute suggests that an author or an author’s statutory heirs are entitled to more than one opportunity, between them, to use termination rights to enhance their bargaining power or to exercise them. *See* 17 U.S.C. 304(d). . . . In this case, Elaine Steinbeck had the opportunity in 1994 to renegotiate the terms of the 1938 Agreement to her benefit, for at least some of the works covered by the agreement were eligible, or about to be eligible, for termination. By taking advantage of this opportunity, she exhausted the single opportunity provided by statute to Steinbeck’s statutory heirs to revisit the terms of her late husband’s original grants of licenses to his copyrights. It is no violation of the Copyright Act to execute a renegotiated contract where the Act gives the original copyright owner’s statutory heirs the opportunity and incentive to do so.

*Id.* at 204. The court then reversed and remanded for entry of judgment in favor of Penguin. *Id.*

## F. The Distribution Right

On September 24, 2008, the court in *Capitol Records Inc. v. Thomas* issued an important ruling on

what constitutes “distribution” of a copyrighted work so as to infringe under 17 U.S.C. 106(3).<sup>15</sup> See *Thomas*, 579 F.Supp.2d 1210 (D. Minn. 2008). The Copyright Act does not define “distribution,” and it was unclear whether merely making a copyrighted work available for distribution constitutes “distribution” under the Act.

In early 2006, several recording companies sued Jammie Thomas, alleging that she illegally downloaded and distributed 24 songs via Kazaa, the peer-to-peer file sharing application. *Id.* at 1212-13. The case went to trial in October 2007. What has emerged as a critical piece of the case is the following jury instruction, which was given to the jury over Thomas’s objection:

The act of making copyrighted sound recordings available for electronic distribution on a peer-to-peer network, without license from the copyright owners, violates the copyright owners’ exclusive right of distribution, regardless of whether actual distribution has been shown.

*Id.* at 1213. The jury returned with the verdict that Thomas had willfully infringed all 24 songs, and awarded statutory damages of \$9,250 for each willful infringement, for a total of \$222,000. *Id.* at 1213, 1227.

Thomas moved for a new trial, or for remittitur, challenging the constitutionality of the Copyright Act’s statutory damages provision. *Id.* at 1213. However, the trial court subsequently indicated its openness to granting a new trial on the grounds that its issuance of the jury instruction above was a manifest error of law. *Id.* The issue was briefed by the parties, along with five amicus curiae.

The court decided that the statutory text of §106(3) neither stated that an offer to distribute a copyrighted work, nor the act of making the work available for distribution constituted distribution, a point in Thomas’s favor. *Id.* at 1217. The dictionary meaning of distribution also favored Thomas, as it required actual transfer among entities. *Id.* The court also noted that the two leading copyright treatises held the view that making a work available did not rise to the level of distribution. *Id.* The court recognized that the Register of Copyrights was on record with the opinion that making a work available for downloading by other users of a peer to peer network infringed the distribution right of §106(3), but the court noted that it

was not bound by the Register’s opinion. *Id.* After examining the numerous differing definitions of “distribute” within the Copyright Act, the court decided that no single uniform definition of the term existed. *Id.* at 1217-18. It took particular note of 17 U.S.C. 506(a)(1)(C), which addresses “the distribution of a work being prepared for commercial distribution, by making it available on a computer network accessible to members of the public.” *Id.* at 1217 (emph. added). The court concluded that when Congress intended distribution to include making available a copyrighted work, it was capable of expressing such intent explicitly. *Id.* at 1218. The court thus held that “distribution” did not include “making available,” but instead required “actual dissemination.” *Id.* at 1218-19.

Having so held, the court found its jury instruction erroneous, and substantially prejudicial to Thomas’s rights, and granted her a new trial. *Id.* at 1226-27. It did not reach her argument as to the constitutionality of the statutory damages provision of the Copyright Act, but did spend a few pages imploring Congress to amend the Act to address liability and damages in peer to peer network cases. *Id.* at 1227-28 (emphasizing that Thomas did not seek to profit from her acts, as well as the fact that the statutory damages awarded were more than 500 times the cost of buying 24 CDs (one for each song allegedly infringed by Thomas)). In the court’s view:

[For] individuals who infringe by using peer-to-peer networks, the potential gain from infringement is access to free music, not the possibility of hundreds of thousands - or even millions - of dollars in profits. This fact means that the statutory damages awards of hundreds of thousands of dollars is certainly far greater than necessary to accomplish Congress’s goal of deterrence.

*Id.* at 1227.<sup>16</sup>

<sup>15</sup> 17 U.S.C. §106(3) provides that “the owner of copyright . . . has the exclusive rights to do and to authorize . . . (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease or lending.”

<sup>16</sup> Other district court decisions issued in 2008 involving the distribution right included *Atlantic Recording Corp. v. Howell*, 554 F.Supp.2d 976, 983 (D. Ariz. 2008) (“Merely making an unauthorized copy of a copyrighted work available to the public does not violate a copyright holder’s exclusive right of distribution.”), and *London-Sire Records, Inc. v. Doe I et al.*, 542 F.Supp.2d 153, 169 (D. Mass. 2008)(“[T]he defendants cannot be liable for violating the plaintiffs’ distribution right unless a ‘distribution’ *actually occurred.*”) (emph. added).

## G. Open Source Licensing

Open-source software licensing was at issue in *Jacobsen v. Katzer*, the Federal Circuit's first foray into that area. *Katzer*, 535 F.3d 1373 (Fed. Cir. 2008).

Copyright holder Jacobsen had made certain software available for downloading without charge, but pursuant to an open-source "Artistic License" that set forth the terms under which he authorized use of the software. *Id.* at 1375-76. The defendants copied and incorporated portions of Jacobsen's software into their works, but did not comply with all terms of the license. *Id.* at 1376-77, 1379.

Jacobsen sued in the Central District of California for copyright infringement, and sought a preliminary injunction. The defendants argued that any violation of the license agreement amounted not to infringement, but to a breach of contract. Moreover, they argued, irreparable harm may not be presumed to arise from a breach of contract, thus no injunction could issue.

The trial court agreed with the defendants, deciding that Jacobsen had only a claim for breach of contract, reasoning that the open-source license had a very broad scope, and expressly gave users the right to "use and distribute the [material] in a more-or-less customary fashion, plus the right to make reasonable accommodations." *Id.* at 1376. Failing to comply with the license, the trial court felt, may be a breach of the license, but did not create copyright infringement liability. *Id.*

On appeal, the Federal Circuit took note of Ninth Circuit precedent applicable to the case: a copyright holder granting a nonexclusive license normally waives the right to sue a licensee for infringement, retaining only the right to sue for breach of the license agreement. *Id.* at 1380, citing *Sun Microsystems, Inc. v. Microsoft Corp.*, 188 F.3d 1115, 1121 (9th Cir. 1999). However, where the license is one that is limited in scope, use of the licensed work outside such scope is actionable copyright infringement. *Id.*, citing *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1087 (9th Cir. 1989). The case thus turned on whether the terms of the open source license were conditions that limited the scope of the license, or solely covenants to the license (in which case contract law would govern).

Examining the Artistic License, the Federal Circuit noted that it expressly stated that it created "conditions." *Id.* at 1381. The Artistic License also used the words "provided that" to denote that the rights to copy, modify and distribute under the License were granted "provided that" the conditions were met; under California contract law, "provided that" typically denoted a condition. *Id.* The Federal Circuit thus found that the terms of the Artistic License were enforceable copyright conditions, and thus Jacobsen could pursue his infringement claim.

*Id.* at 1382-83. Accordingly, it vacated the trial court's judgment, and remanded for further factfinding on whether Jacobsen was entitled to injunctive relief. *Id.* at 1383.

## H. Attorney's Fees under 17 U.S.C. §505

*Riviera Distribs., Inc. v. Jones*, 517 F.3d 926 (7th Cir. 2008) confirmed that when a plaintiff dismisses its copyright suit, the defendant becomes a "prevailing party" who is entitled to its fees under 17 U.S.C. §505. The district court had declined to award the defendant fees, reasoning that the court had not ruled on the merits of the litigation. The Seventh Circuit reversed: "Riviera sued; Midwest won; no more is required." *Id.* at 928. It then remanded for an award of reasonable fees (including those spent in the successful appeal) to the defendant. *Id.* at 930.

## I. Notable Settlements and Verdicts

### 1. The Google Library Project settlements

The most notable copyright cases to settle in 2008 may have been the resolution in principle of twin challenges to Google's e-library ambitions. See *The Author's Guild v. Google, Inc.*, No. 05-08136 (S.D. N.Y.) and *The McGraw-Hill Co's, Inc. v. Google, Inc.*, No. 05-08881 (S.D. N.Y.) Those suits challenged Google's Library Project, which ambitiously planned to digitally scan (and create a word-searchable index from), books in many public and university libraries; Google also was to retain a copy of the digital scans. See Case No. 05-cv-08136 (S.D. N.Y.), Dkt. #14, ¶2. Google had contracted with, among others, the libraries of Harvard, Stanford and Oxford Universities, as well as the New York Public Library, to include some or all of their collections. *Id.*, ¶¶ 2, 32.

The settlement, reached after two years of negotiations, includes a payment from Google of \$125 million to establish a Book Rights Registry, which will resolve existing claims by authors and publishers, and cover legal fees.<sup>17</sup> The proposed agreement is Exhibit 1 to Dkt. #56 in Case No. 05-cv-08136 (S.D. N.Y.).

On November 14, 2008, the district court for the Southern District of New York gave preliminary approval to a settlement of the cases. See Dkt. #64. The court set June 11, 2009 as the date for a final settlement/fairness hearing. *Id.*

### 2. *Goldman v. Healthcare Mgmt. Sys., Inc.*

Also notable was the settlement reached in *Goldman v. Healthcare Mgmt Systems Inc.*, No. 1:05-cv-035 (W.D. Mich.). On July 1, 2008, the parties ended three years of litigation by reaching a settlement

<sup>17</sup> See Press Release, at <http://www.publishers.org/main/Copyright/Google/Release.htm> (last accessed Feb. 11, 2009).

that included a payment of over \$3 million to the plaintiff, a software programmer.<sup>18</sup>

The case arose out of a medical records system comprising numerous integrated computer programs created by Goldman in the late 1970s. *See* 2008 WL 2559028, \*1 (W.D. Mich. 2008). In 1983, he gave defendant Thomas Givens a copy of the software for evaluation purposes. *See* 2006 WL 3589097, \*1 (W.D. Mich. 2006). Givens later formed a company that ultimately became defendant Healthcare Management Systems, which offered for sale the allegedly infringing software. Plaintiff Goldman alleged the defendants had been using the software without authorization since 1983. *Id.* The defendants countered that their use of a portion of the program had been with Goldman's consent since 1985 or 1986, that the program was in the public domain in any event. *Id.*

Round one of the litigation went to the defendants, as the trial court denied Goldman's request for a preliminary injunction. *Id.* at \*2-4. Both parties' summary judgment motions also were denied, as the court found the case "rife with disputed facts" requiring trial. *See* 2006 WL 3589069, \*1-2 (W.D. Mich. 2006). In 2008, the trial court held that the Copyright Act's statute of limitations provision (17 U.S.C. 507(b)) prevented Goldman from recovering for infringements occurring on or after January 13, 2002, which was three years prior to the date he filed suit. *See* 559 F.Supp.2d 853, 862-63 (W.D. Mich. 2008)(synthesizing Sixth Circuit precedent on this point); *see also* 2008 WL 2559030, \*1-4 (addressing the issue in greater depth, and denying reconsideration). Settlement occurred shortly thereafter, in July 2008.

### 3. *Mattel, Inc. v. MGA Entertainment, Inc.*

On August 26, 2008, a jury in the Central District of California returned a substantial verdict favoring the plaintiff in this complex case. *Mattel Inc.*, Case No. 2:04-cv-09049 (C.D. Cal.).

Carter Bryant worked for Mattel as a product designer in Mattel's Barbie division. *See* 2008 WL 4380348. On October 4, 2000, Bryant notified Mattel he would leave the company in 15 days; on the same day, he signed a consulting agreement with MGA Entertainment. *Id.* In June, 2001, MGA launched its "Bratz" doll product line, which was reported to have generated more than \$3 billion in revenue over the next seven years. *Id.*

In 2004, Mattel sued Bryant in California state court, alleging breach of contract along with several tort claims. *See Mattel Inc. v. Bryant*, 446 F.3d 1011, 1012 (9th Cir. 2006). After the case twice was removed to federal court, Mattel's competitor MGA intervened as a defendant, to protect its right to its "Bratz" dolls. *Id.* Eventually, Mattel would assert against Bryant, MGA, and MGA's largest shareholder Issac Larian claims including copyright infringement, intentional interference with contract, breach of fiduciary duty, conversion, breach of duty of loyalty, and fraudulent concealment. *See* 2008 WL 4380348.

Bryant settled with Mattel for an undisclosed sum prior to trial. *Id.*

Mattel argued that Bryant had given MGA and Larian numerous concept drawings for Bratz products while Bryant still was a Mattel employee. *Id.* Mattel contended that, per Bryant's employment contract, even if he had developed the initial Bratz concept prior to joining Mattel, he had performed additional work on it while at Mattel, and thus Mattel owned the copyright to the Bratz dolls. *See id.*

The defendants argued that Bryant had developed his initial Bratz drawings before joining Mattel, and that this was the basis for the defendants' relationship with Bryant. *Id.* The defendants also argued that the initial Bratz idea Bryant brought to MGA, and the final Bratz product, were different, with the defendants having contributed their own creative input, financing, and other knowledge into the product. *See* 2008 WL 4223599. They also contended that they did not know of, and didn't interfere with, Bryant's obligations to Mattel. *See* 2008 WL 4380348.

The jury's verdict awarded Mattel's damages against MGA of twenty million dollars for *each* of Mattel's claims of intentional interference, aiding and abetting breach of fiduciary duty, and aiding and abetting breach of the duty of loyalty. *See* 2008 WL 4223599. They awarded six million dollars from MGA for the copyright infringement claim, and \$31,500 from MGA for conversion. *Id.* Against defendant Larian, the jury assessed damages of ten million dollars for each of the intentional interference and the two aiding and abetting claims, and one million for copyright infringement. *Id.* Against defendant MGA Hong Kong, the jury awarded Mattel \$1 million for copyright infringement. *Id.* The plaintiffs called it a \$100,031,500 verdict; the defendants asserted that the judge would be called upon to finalize the amount of the award. *Id.*

### J. Insurance

In *Owners Ins. Co. v. Gordon*, the Eleventh Circuit affirmed an award of summary judgment in favor of an insurance company that had claimed it had no duty to defend a copyright infringement suit in view of the insured's failure to promptly notify the insurer of the

<sup>18</sup> *See* Dkt. #295 (minutes of settlement conference); *see also* News Release, "Software Infringement Case Brings \$3 Million Settlement," at <http://www.wwj.com/Software-Infringement-Case-Brings--3-Million-Settl/2765595> (last visited Feb. 2, 2009).

potential for suit. *Gordon*, 2008 WL 4601752 (11th Cir. 2008).

Chesapeake Development, Inc.'s insurance policy required it to notify the insurer "of an 'occurrence' or an offense which may result in a claim" as a precondition of the insurer's obligation to defend or indemnify Chesapeake. *Id.* at \*1. In October 2002, a Chesapeake principal received three letters from Judy Gordon, pertaining to Chesapeake's future use of certain designs for residences. *Id.* For example, Gordon wrote that her company, Axio, owned the designs and was entitled to a licensing fee of \$17,500 for any future use of the designs. *Id.* She later wrote that she was awaiting a response to a counteroffer, and if she did not timely receive one, "I may . . . seek my remedy in court. . . ." *Id.* Gordon also wrote that "the house plans in question are the property of Axio. Any claims to the contrary are false. Any and all future use of the plans [must include] compensation to Axio." *Id.*

The Eleventh Circuit noted that under Georgia law, insurance contract provisions that obligate the insured to promptly notify the insurer of a potential claim commonly are held enforceable. *Id.* Here, Chesapeake's policy required it to provide notice "as soon as practicable." *Id.* at \*2. However, it did not notify the insurer until it was served with a complaint three years later. *Id.* The court held that Gordon's letters put Chesapeake on notice of the potential copyright infringement claim, and that its failure to notify the insurer until three years later relieved the insurer of the obligation to indemnify or defend the suit. *Id.*

### III. NOTABLE COPYRIGHT LEGISLATION OF 2008

#### A. The PRO-IP Act

On October 13, 2008, President Bush signed into law the PRO-IP Act,<sup>19</sup> which amended the Copyright Act in several ways.

The Act mitigates the impact (in infringement litigation) of harmless errors in copyright registrations through an amendment to 17 U.S.C. §411. As amended, a registration certificate satisfies Section 411 (a prerequisite to filing an infringement suit) regardless of whether it contains inaccurate information, unless the inaccuracies were knowingly included in the application for registration, and the Register of Copyrights, had it known of the inaccuracies, would have refused registration. Where such fatal inaccuracies are alleged by a defendant in an infringement suit, the court is instructed to ask the Register of Copyrights to advise the court whether or

not the inaccurate information would have caused it to refuse registration.

The Act adds to a copyright holder's remedies for infringement by amending 17 U.S.C. §503 to provide for the impoundment of copies of infringing copies or phonorecords, as well as the equipment by which the infringing copies or phonorecords are made. It further provides for the impoundment of records documenting the manufacture, sale or receipt of anything involved in the infringement.

The Act makes exportation of infringing copies or phonorecords an act of infringement, by amendment to 17 U.S.C. §602. And it enhances forfeiture provisions for cases involving criminal copyright infringement by amendment to 17 U.S.C. §506 and repeal of 17 U.S.C. §509.

#### IV. LOOKING AHEAD TO 2009

Some of the cases discussed above will be advanced further in 2009, in some cases by appellate courts, in other cases by additional fact finding at the district court level. Many new and interesting cases are in their early stages, and should progress further in 2009, including for example *Satriani v. Martin*, Case No. 2:08-cv-07987 (C.D. Cal. 2008). There, guitar legend Joe Satriani has sued the band Coldplay, alleging that their song "Viva La Vida" infringes his instrumental song "If I Could Fly."

On the legislative front, Congress could move forward on the Orphan Works Act of 2008, which was introduced in both the House (H.R. 5889) and Senate (S. 2913) in 2008. The Senate version of the bill passed on September 26, 2008.<sup>20</sup>

<sup>19</sup> The Act's formal name is the Prioritizing Resources and Organization of Intellectual Property Act, Pub. L. No. 110-403, 122 Stat. 4256 (2008).

<sup>20</sup> See <http://www.loc.gov/film/legislation.html> (last accessed Feb. 11, 2009).

An informative statement on "The 'Orphan Works' Problem and Proposed Legislation" delivered by Register of Copyrights Marybeth Peters to the House of Representatives on March 13, 2008, can be found at <http://www.copyright.gov/docs/regstat031308.html> (last accessed Feb. 20, 2009).