



# ICLG

The International Comparative Legal Guide to:

# Copyright 2018

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A practical cross-border insight into copyright law

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# USA

Roberta L. Horton



Michael Kientzle



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## 1 Copyright Subsistence

### 1.1 What are the requirements for copyright to subsist in a work?

No formalities are necessary for copyright to exist in a work. Copyright arises as soon as an author “puts pen to paper”, that is, as soon as any original work is “fixed in any tangible medium of expression”. 17 U.S.C. § 102. The threshold for originality is very low.

In general, copyright protection in the United States is governed by the U.S. Copyright Act, 17 U.S.C. §§ 101 *et seq.*, effective January 1, 1978. Some works are still governed by the former U.S. Copyright Act of 1909. In addition, U.S. copyright law changed to some extent when the United States became signatory to the international Berne Convention in 1989.

### 1.2 On the presumption that copyright can arise in literary, artistic and musical works, are there any other works in which copyright can subsist and are there any works which are excluded from copyright protection?

The U.S. Copyright Act, 17 U.S.C. § 102, lists the following categories of works of authorship that may be subject to copyright protection: literary works; musical works; dramatic works; pantomimes and choreographic works; pictorial, graphic, and sculptural works; motion pictures and other audiovisual works; and architectural works.

Copyright in other types of works is limited. Among other things, a third party may generally make and use a photograph, drawing or other pictorial representation of an architectural work if that work is visible from a public place. 17 U.S.C. § 120(a). As discussed in question 1.5, limited copyright protection is accorded to industrial designs such as semiconductor chips and vessel hulls.

Notably, several categories of items are *not* subject to copyright protection. Specifically, mere ideas are not copyrightable; nor are ideas that may only be expressed in a limited amount of ways (this is considered the “merger” of ideas and expression). In addition, mere facts that are not arranged or selected in any creative matter is not subject to copyright protection. *See Feist Publications, Inc. v. Rural Telephone Service Co., Inc.*, 499 U.S. 340, 363-364, 111 S. Ct. 1282 (1991) (names, towns and telephone numbers of utility’s subscribers were uncopyrightable facts).

### 1.3 Is there a system for registration of copyright and if so what is the effect of registration?

The U.S. Copyright Office affords a system of registration online at <https://www.copyright.gov/>. The copyright filing fee is \$35.00 USD for one work by a single author who is also the claimant provided that the work is not made for hire. Otherwise, the filing fee is \$55.00 USD. The registration dates back to the filing date of the copyright application if the application, deposit and filing fee are all acceptable. Although the Copyright Office examines the application, the examination process is not as exhaustive as the trademark examination process at the U.S. Patent and Trademark Office. Indeed, the infrequent refusals are usually based upon those submissions that do not meet low originality thresholds.

Although a copyright registration is not necessary for protection to adhere, it does provide important advantages to the copyright owner: In general, a copyright registration is necessary for a copyright owner to file a copyright infringement suit (or for a litigant to file a counterclaim of infringement) in the United States. Note, however, that an applicant whose copyright application is refused registration may also bring a suit for infringement, as long as the applicant services notice upon the Register of Copyrights. Limited exceptions to this registration prerequisite include: actions for violations of artists’ rights (*see* question 4.2); actions by owners of foreign works; suits for declarations of copyright ownership; and actions under the Digital Millennium Copyright Act (*see* question 4.2).

Aside from the ability to bring suit, the principal benefit of registration – depending upon the timing of that registration – is the copyright owner’s potential to collect statutory damages pursuant to Section 504 of the Copyright Act. Such damages may be significant and much easier for a copyright plaintiff to obtain than actual damages, as the plaintiff need not show such damages. *See* discussion in question 5.6.

Other benefits to copyright registration, if made within five years of first publication of the work, include a *prima facie* evidence of the validity of the copyright and the facts that the registration certificate states. In addition, registration provides constructive notice of copyright transfers and priority against any subsequent transfers of copyright.

### 1.4 What is the duration of copyright protection? Does this vary depending on the type of work?

The duration of a copyright may depend upon whether or not the work was published; whether or not it bore the requisite notice; and whether or not the copyright was renewed in the work.

**General Principle:** Assuming any requisite formalities (including, if necessary, notice and renewal) were met, all works copyrighted on or after 1924 are still under copyright protection. (This is calculated 95 years from first publication of a work for hire – the longest conceivable period, or 95 + 1924 = 2019.)

Works created on or after January 1, 1978 (the effective date of the 1976 Copyright Act), the following rules apply:

- A work created by an individual author (natural person): Life of the author plus 70 years.
  - For joint authors, life of the last surviving author plus 70 years.
- A work made for hire: Either 95 years from first publication or 120 years from creation, whichever expires first.
- An anonymous or pseudonymous work: Also 95 years from first publication or 120 years from creation, whichever expires first. If the identity of one or more authors is revealed in a registration record, that period converts to the life of the (last surviving) author plus 70 years.

**Works created before 1978:** Assessing the length of protection for a copyrighted work created prior to the effective date of the 1976 statute is more complex; it is governed under the 1909 Copyright Act:

- A work published with valid notice: A total of 95 years from when statutory copyright is obtained (aggregating an initial term of 28 years and a renewal term of 67 years, unless not renewed, in which case copyright protection would be lost in the 28<sup>th</sup> year of the copyright).
- A work published under the author's authority *without proper notice*, which notice was not cured, lost copyright protection and was injected into the public domain.
  - Curing of notice: Works published without notice between January 1, 1978 and March 1, 1989 could be "rescued" from the public domain in certain cases if affixed with proper notice in that interval. *See* 17 U.S.C. § 405(a).
- A work "created but not published or copyrighted before January 1, 1978" (17 U.S.C. § 303): In general, duration is measured by the 1976 Act rules, although:
  - the copyright expired, if the term specified in the 1976 Act had already expired; and
  - if the work was published between 1978 and 2002, the copyright will not expire until December 31, 2047.
- "Rescue" of a foreign work non-compliant with U.S. formalities: Certain works penned by foreign authors are restored to copyright protection even with notice defects if they were still eligible for copyright protection in their home countries, pursuant to certain international agreements.

### 1.5 Is there any overlap between copyright and other intellectual property rights such as design rights and database rights?

Under the Semiconductor Chip Protection Act of 1984, copyright protection in semiconductor chips adheres, but only on a limited basis: the copyright in the chip must be registered within two years of its first commercial exploitation, and protection endures for only 10 years. Copyright protection in the design of vessel hulls is also limited; protection only applies to those designs reflected in actual vessel hulls publicly exhibited, distributed, on sale or sold since October 28, 1998.

Electronic databases are considered compilations subject to copyright protection. The aspects of a database that may be protected by copyright are therefore similar to other compilations – the author is protected in his or her selection of data, and the way in which he or she arranges the data.

### 1.6 Are there any restrictions on the protection for copyright works which are made by an industrial process?

Only humans can be "authors" of works for the purposes of U.S. copyright law, although courts have indicated that divinely-inspired works, fixed by humans, can be copyrightable. Humans may use tools and industrial processes to create works, which are only entitled to copyright protection if they reflect a sufficient level of originality. Conversely, works created by forces of nature or works that are randomly-generated (such as a random series of numbers) are not copyrightable.

The position that only humans may be authors has been litigated recently. *See Naruto v. Slater*, Case No. 15-cv-04324-WHO, 2016 WL 362231 (N.D. Cal. Jan. 28, 2016), in which People for the Ethical Treatment of Animals (PETA) sued a photographer on behalf of the monkey "Naruto", claiming that the photographer had infringed Naruto's copyright in a "selfie" photograph taken by Naruto with the photographer's camera. The court dismissed the infringement claim, finding that only humans could be authors. PETA appealed to the U.S. Court of Appeals for the Ninth Circuit. After argument on appeal, in August 2017, the parties jointly moved for a stay in view of settlement negotiations.

## 2 Ownership

### 2.1 Who is the first owner of copyright in each of the works protected (other than where questions 2.2 or 2.3 apply)?

The author(s) of a U.S. work are the initial owners of the copyright. Initial ownership of a foreign work, on the other hand, may be governed by the laws of the country of origin. *See* 17 U.S.C.A. § 104(b) (initial owner of restored works "determined by the law of the source country of the work"); *Itar-Tass Russian News Agency v. Russian Kurier, Inc.*, 153 F.3d 82, 89-90 (2d Cir. 1998) (applying choice-of-law principles to determine the law governing ownership).

The U.S. government may not itself hold a copyright as an initial matter, but it may obtain copyright ownership by assignment.

### 2.2 Where a work is commissioned, how is ownership of the copyright determined between the author and the commissioner?

Under the 1976 Act, a commissioned work, or "work made for hire", may arise in two ways: (1) as a work made by an employee within the scope of employment, with the employer generally owning the copyright (*see* question 2.3); or (2) pursuant to a written work made for hire agreement executed before creation, but only as to works in the following categories: contributions to collective works; parts of motion pictures or audiovisual works; translations; supplementary works (commentary prepared as an adjunct to a publication written by a third party); compilations; instructional texts; tests and answer material for tests; and atlases.

In the 1909 Act era, the case law generally held that, for commissioned works, the commissioned party had presumptively agreed to convey not only the work, but also the copyright in the work, to the party hiring the work to be created, unless the commissioned party reserved the copyright.

The owner of a work made for hire holds the copyright for its full duration. Conversely, a licensee or assignee is subject to a narrow

five-year reversionary period in which that grant may be terminated (notwithstanding any agreement to the contrary).

### 2.3 Where a work is created by an employee, how is ownership of the copyright determined between the employee and the employer?

In the seminal case *CCNV v. Reid*, 490 U.S. 730 (1989), the U.S. Supreme Court held that the courts must apply general common law agency principles in determining whether a work is prepared by an employee or independent contractor. If the author is an employee and creates the work within the scope of his or her employment, then the work is a work for hire, with the copyright owned by the employer; conversely, if the author is an independent contractor, then the work may only be treated as a work for hire if there is a written agreement to treat it as such and the work falls within one of the statutory categories discussed in question 2.2.

Comment: an agreement may thus include language stating that, if not considered a work for hire, the creator assigns the copyright in the work to the commissioning party.

### 2.4 Is there a concept of joint ownership and, if so, what rules apply to dealings with a jointly owned work?

Pursuant to the 1976 Act, a joint ownership arises when two or more authors prepare a work intending that their independent contributions be one whole work. A joint work may also arise, among other things, if a copyright owner conveys her right to multiple persons, either during her lifetime or through her will or intestate succession.

Although most authorities require that an author make some tangible contribution to a work to be considered a joint owner, at least one case has held that the contribution of ideas to a joint work may be sufficient. *Gaiman et al. v. McFarlane et al.*, 360 F.3d 644 (7th Cir. 2004).

Absent an agreement to the contrary among joint owners, each individual owner has the right to grant non-exclusive licences in the work to third parties. If a joint owner wishes to convey an exclusive licence, however, all joint owners must convey the same, exclusive grant for the licence to be effective.

## 3 Exploitation

### 3.1 Are there any formalities which apply to the transfer/assignment of ownership?

Under the 1976 Act, a copyright assignment must be in writing, signed by the copyright owner or his “authorised agent”, although it need not be notarised. Conveyances “by operation of law” (with this phrase being undefined) under the 1976 Act need not be in writing. In view of the E-SIGN Act (15 U.S. Code § 7001 *et seq.*), electronic signatures likely suffice. *See, e.g., Metro. Reg'l Info. Sys., Inc. v. Am. Home Realty Network, Inc.*, 722 F.3d 591, 600-03 (4th Cir. 2013). There is some debate, however, as to the type of conduct that qualifies as an electronic signature.

The country of origin determines whether a written notice is necessary for assignment of copyrights in restored foreign works. The prior transferee must record the copyright assignment within one month from the time of its execution in the United States or two months from the time of its execution outside the United States, or at any time before recordation in such manner of the later transfer to be effective against a subsequent transferee.

### 3.2 Are there any formalities required for a copyright licence?

Although an exclusive licence must be written and signed by the copyright owner, a nonexclusive licence need not be in writing. Nor does a conveyance by “operation of law”, 17 U.S.C. §204(a), that, although not defined, may be construed to mean by will, bankruptcy, merger, dissolution, foreclosure, and the like.

The law on implied licences, particularly in the Internet context, is still in flux. Historically, an implied licence generally existed only when the licensee requested that the work be created and that the licensor provided the work to the licensee. More recently, some cases held, in the Internet context, an unrelated party could obtain an implied licence based on the copyright holder’s knowing failure to object to the use of his or her work, while other decisions hold that where the Internet visitor has *not* requested permission to use the work, and the copyright holder and Internet visitor have no interaction, no implied licence exists. Earlier this year, an appellate court held that to establish an implied licence, a party need show: the licensee requested the creation of the work; the creator not only made the work but also delivered it to the licensee requesting it; and the licensor intended that the licensee copy and distribute the work. *Muhammad-Ali v. Final Call, Inc.*, 832 F.3d 755, 762 (7th Cir. 21016) (the newspaper did not have the implied licence to copyrighted portrait where it did not commission portrait and portrait was not delivered to it).

### 3.3 Are there any laws which limit the licence terms parties may agree (other than as addressed in questions 3.4 to 3.6)?

Sections 203 and 304 of the Copyright Act provide a “termination right” that permits the grantor of any copyright interest (including both licences and assignments) the ability to terminate its grant after a certain period of time. Section 203 applies to all grants made by the author of the work on or after January 1, 1978, and provides a termination right that may be exercised during the five-year window beginning 35 years after the first grant of the right or publication of the work, whichever is earlier. Section 304 applies to any grant made prior to January 1, 1978, and provides a five-year termination window beginning on the date the copyright was secured or beginning on January 1, 1978, whichever is later.

Both of these sections provide that the termination of the grant may be effected “notwithstanding any agreement to the contrary”, and therefore are generally understood not to be waivable. The legislative history of Section 203, however, includes a House Report stating that Section 203 would not prevent the parties to any grant from agreeing to terminate a grant voluntarily so that they may enter into a new agreement, thereby causing a new 35-year period to start running.

### 3.4 Which types of copyright work have collective licensing bodies (please name the relevant bodies)?

Books, Journals, Magazines: The Copyright Clearance Center (CCC) provides global licensing for works including academic journals, newspapers, blogs, and e-books. The CCC offers an “Annual Copyright Licence” that covers a broad range of works for a fee. Although the scope of its licence may be broad, the CCC does not have the right to license all published works.

Broadcast Television: The Copyright Royalty Board is a government agency within the Copyright Office that is responsible

for administering numerous statutory licences, including licences that permit cable service operators and satellite carriers to retransmit over-the-air broadcast signals without securing a licence from the owners of the copyrights in the programmes or music embodied in the broadcast signal.

**Musical Compositions:** The right to make a new recording (i.e. using new musicians and engineers) of a musical composition owned by another party is described as the “mechanical right”. The Harry Fox Agency licenses the right to reproduce and distribute musical compositions on behalf of most owners of mechanical rights.

Three separate entities are broadly responsible for licensing the right publicly to perform such works on behalf of most musical composers: the American Society of Composers, Authors and Publishers (ASCAP); Broadcast Music, Inc. (BMI); and the Society of European Stage Authors and Composers (SESAC). The latter, established in 1930, licenses public performances of more than 400,000 songs.

**Motion Pictures:** The Motion Picture Licensing Corporation (MPLC) licenses the right publically to perform motion pictures on behalf of over 1,000 motion picture studios and producers. For instance, a licence from the MPLC may permit an entity like a public library to host a public viewing of the library’s copy of *The Godfather*. The Copyright Clearance Center, discussed above, also provides certain licences to motion pictures and other audiovisual works.

**Sound Recordings:** SoundExchange collects and distributes royalties paid pursuant to the statutory licence that permits certain Internet services to stream sound recordings. The Copyright Clearance Center, discussed above, also licenses sound recordings.

**Visual Works of Art:** The Artists Rights Society and VAGA provide copyright clearance and licensing services on behalf of visual artists and, in VAGA’s case, also photographers.

### 3.5 Where there are collective licensing bodies, how are they regulated?

ASCAP and BMI operate subject to antitrust consent decrees entered in 1941, which limit their ability to modify the public performance licences they offer. The purpose of these decrees is to balance the potential antitrust concerns posed by collectively licensing large numbers of musical works that may otherwise compete with one another with the benefits – including ease of use – provided by competitive licensing. The Antitrust Division of the United States Department of Justice has the principal responsibility for administering these consent decrees.

Other than ASCAP and BMI, the collective licensing bodies in the United States are generally unregulated.

The Copyright Royalty Board sets rates for compulsory licences mandated under the Copyright Act, and distributes certain of the royalties collected pursuant to those licences. Decisions of the Copyright Royalty Board may be appealed to the United States Court of Appeals for the D.C. Circuit. Judges on the Copyright Royalty Board are appointed to terms of varying duration by the Librarian of Congress, after consultation with the Register of Copyrights.

### 3.6 On what grounds can licence terms offered by a collective licensing body be challenged?

The United States District Court for the Southern District of New York is responsible for enforcing the consent decrees under which BMI and ASCAP operate, and challenges to the terms of the consent decree (or the Department of Justice’s interpretation of those terms) may be brought there.

## 4 Owners’ Rights

### 4.1 What acts involving a copyright work are capable of being restricted by the rights holder?

Under Section 106 of the 1976 Copyright Act, a copyright owner has the exclusive right to:

- (1) reproduce the copyrighted work;
- (2) prepare derivative works of the copyrighted work (adapt it to other forms, such as creating a movie from a play);
- (3) publicly distribute copies or phonorecords of the copyrighted work;
- (4) perform the copyrighted work publicly, if that work is a literary, musical, dramatic, or choreographic work, a pantomime, a motion picture, or other audiovisual work;
- (5) display publicly the copyrighted work, if that work is a literary, musical, dramatic, choreographic work, a pantomime, a pictorial work, a graphic work, or a sculptural work (including individual images of motion picture or other audiovisual works); and
- (6) if the work is a sound recording, to perform it publicly through a digital audio transmission, with sound recordings fixed before February 15, 1972 protected by state law.

Section 602 of the 1976 Act also gives copyright owners the right to bar importation of copies of their works. The U.S. Supreme Court held this right limited, however, in *Quality King Distrib., Inc. v. L’Anza Research Int’l, Inc.*, 523 U.S. 135 (1998): subsequent purchasers of copies of a work may, in spite of the Section 602 bar, import those copies under the “first sale” doctrine, discussed below in question 4.3.

### 4.2 Are there any ancillary rights related to copyright, such as moral rights, and if so what do they protect, and can they be waived or assigned?

Although U.S. law does not recognise moral rights *per se*, Section 106A of the 1976 Act affords some protection to creators of visual arts. These include the right of attribution and the right to prevent deliberate mutilation, distortion, or other changes to the work that would prejudice the artist’s reputation, and to prevent the destruction of the work of “recognized stature”. The right may not be transferred, but the artist may waive it. This right survives only until the artist’s death.

### 4.3 Are there circumstances in which a copyright owner is unable to restrain subsequent dealings in works which have been put on the market with his consent?

A main restraint on a copyright owner’s control over subsequent use of his or her work lies in the “first sale” doctrine. Under Section 109 of the 1976 Act, the owner of a specific copy of work may dispose of that copy without the copyright owner’s permission. The doctrine does not extend to rental or leasing of computer programs for profit. The first sale doctrine does not mean that, when an author sells a copy of her work, she parts with the copyright in that work. As noted in question 4.1, the first sale doctrine constitutes an exception to the ban on unauthorised imports.

The doctrine aims to prevent double recoveries, *i.e.*, once a creator has reaped the benefits of selling or otherwise disposing of a copy of her work, she may not obtain the same benefit by restraining its further distribution without additional compensation.

Additionally, the 1976 Act and accompanying regulations include exceptions allowing third parties to make educational uses of copyrighted materials. The Act also permits libraries to make archival uses of copyrighted works belonging to others. *See* 17 U.S.C. § 108. Further, the statute includes other limitations on a copyright owner's exclusive rights, such as compulsory licences for reproduction and distribution of phonorecords of nondramatic musical works (*id.* § 115); reproduction, performance, and display of nondramatic musical works, as well as pictorial, graphic and sculptural works, by public broadcasting entities (*id.* § 118(b) (4)); and the digital transmission of certain subscription and nonsubscription digital audio (*id.* § 114(d)).

Finally, defences such as the fair use defence may restrain an author's ability to control subsequent dealings of her work in the marketplace. *See* question 5.4.

## 5 Copyright Enforcement

### 5.1 Are there any statutory enforcement agencies and, if so, are they used by rights holders as an alternative to civil actions?

The U.S. legal system offers no specific statutory enforcement agencies for copyright owners. Copyright owners may, however, record their copyrights – provided those copyrights are registered with the Copyright Office – with U.S. Customs and Border Protection (CBP). Acting pursuant to 19 C.F.R. §133.31 *et seq.* of the U.S. regulations, CBP should then act to detect and seize infringing items. CBP seizes, among other infringing goods, counterfeit items as they pass into the United States from abroad. CBP will inform the copyright owner of the seizure and may destroy the goods. As a practical matter, although the agency may be very effective in policing infringing imports, CBP's detection is not an absolute net, and some goods may pass into the States undetected.

### 5.2 Other than the copyright owner, can anyone else bring a claim for infringement of the copyright in a work?

Only a person or entity with a copyright ownership interest may sue for infringement of that ownership interest. An exclusive licensee (as opposed to a non-exclusive licensee) has standing to sue for the rights for which it has an exclusive licence. When a copyright owner grants to a third party an exclusive licence, that third party has the right to sue for subsequent infringements.

### 5.3 Can an action be brought against 'secondary' infringers as well as primary infringers and, if so, on what basis can someone be liable for secondary infringement?

A party may be held secondarily liable for copyright infringement under two broad doctrines: (1) contributory infringement; and (2) vicarious liability. In either case, it is necessary to demonstrate that an underlying act of direct infringement occurred.

Liability for contributory infringement arises when an individual (1) has knowledge of another's infringement, and (2) either (a) materially contributes to it, or (b) induces that infringement. *See, e.g., Perfect 10, Inc. v. Giganews, Inc.*, 847 F.3d 657, at 671 (9th Cir. 2017).

Vicarious liability for infringement arises when an individual (1) has the right and ability to supervise the infringing conduct, and (2) a direct financial interest in the infringing activity. *Id.* at 673.

### 5.4 Are there any general or specific exceptions which can be relied upon as a defence to a claim of infringement?

The "fair use" defence, codified under 17 U.S.C. § 107, permits limited use of copyrighted material without the user acquiring permission from the rights holder, typically where the user is engaged in commentary, criticism, or parody of the work, or is using the work for a limited, educational purpose. In assessing the availability of this defence, the courts generally look to four factors:

1. the purpose of the use (including whether it is "transformative", meaning adding new elements that change the nature of the work, either visually or with social commentary);
2. the nature of the copyrighted work (i.e., whether it is highly original and thus more protected, or merely factual);
3. the amount of the work used by the defendant; and
4. the effect upon the market for the work caused by the defendant's use.

Other defences may include statute of limitations (*see* question 5.9) and the equitable defences of laches, acquiescence and estoppel.

While not technically a defence available to the general public, internet service providers may benefit from Section 512 of the Copyright Act, the Digital Millennium Copyright Act (DMCA). The DMCA provides several "safe harbors" for certain categories of Internet service providers. A complete description of these safe harbors is beyond the scope of this chapter. Perhaps the most well-known safe harbor applies to service providers who store content on their systems or networks at the direction of their users. Under the DMCA, these service providers are immune from liability for copyright infringement by reason of the storage of infringing content on their systems or networks at the direction of their users so long as they comply with several requirements of the DMCA, including removing any infringing content from their systems or networks if they are notified of its presence by the copyright owner or otherwise become aware of it.

### 5.5 Are interim or permanent injunctions available?

In civil cases, U.S. courts may grant a preliminary injunction and/or a permanent injunction ordering the copyright defendant to cease use of the copyrighted work. The civil injunctive remedies are set forth in 17 U.S.C. §502 (preliminary and permanent injunctions) and §503 (impoundment and disposition of infringing articles). While the elements of establishing a claim for preliminary relief are essentially the same across the U.S. Circuit courts, those courts articulate them somewhat differently.

### 5.6 On what basis are damages or an account of profits calculated?

In civil cases, a copyright holder may "elect" to recover actual damages and any additional profits of the infringer *or* statutory damages, if available. 17 U.S.C. §504. With respect to actual damages, §504(b) states that in establishing the infringer's profits, the copyright owner need only give proof of the infringer's gross revenue. The infringer must show deductible expenses and profits attributable to factors other than the copyrighted work. Attorneys' fees may be available to the prevailing party, at the court's discretion.

Statutory damages are only available in certain situations when the copyright holder (a) registered its work before the infringement occurred, or (b) registered its work within three months of publication

of the work. *See* 17 U.S.C. §§411, 412(2). (A limited exception exists for suits by an author for violations of the rights of attribution and integrity under 17 U.S.C. §106A(a), for which registration prior to suit is not necessary.) Statutory damages may range from \$750 to \$30,000 per work infringed. If the defendant proves that it was not aware her actions constituted copyright infringement, damages may be reduced to \$200 per work infringed. On the other hand, if the plaintiff proves willfulness, damages may be increased to \$150,000 per work infringed.

**5.7 What are the typical costs of infringement proceedings and how long do they take?**

In U.S. copyright litigation, there is no standard yardstick for litigation costs. A preliminary injunction proceeding that involves U.S. discovery and a hearing may cost more than \$100,000, particularly if expert witnesses are involved.

Should a case proceed to a full length trial in most jurisdictions, the litigation may last years and cost more than \$1 million.

Even a case in the famous “Rocket Docket” (such as the U.S. District Court for the Eastern District of Virginia), which may proceed to trial in under a year, may cost hundreds of thousands of dollars to in excess of \$1 million.

Although U.S. law does not subscribe to the “loser pays” system for awarding attorneys’ fees, such fees are available to a prevailing party in certain situations. *See* 17 U.S.C. § 505 (allowing for award of costs, and of attorneys’ fees to prevailing party). The U.S. Supreme Court ruled in 2016 that the most important factor in determining whether to award attorney’s fees is the “objective reasonableness” of the losing party’s position. *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S.Ct. 1979 (2016). The court may also consider litigation misconduct, or whether a party is frequently being sued for infringement (or frequently bringing losing copyright claims).

**5.8 Is there a right of appeal from a first instance judgment and if so what are the grounds on which an appeal may be brought?**

A losing party in a copyright case may appeal in federal court, generally in the circuit in which the district court action was litigated. Note, however, that copyright claims accompanying patent claims must be appealed to the U.S. Court of Appeals for the Federal Circuit. *See, e.g., Jacobsen v. Katzer*, 535 F.3d 1373, 1377 (Fed. Cir. 2008); *see also* 28 U.S.C. § 1295(a)(1) (exclusive jurisdiction in Federal Circuit for patent appeals).

A reviewing court will apply a *de novo* standard to legal findings and a clear error standard to factual findings.

With respect to damages (and profits), actual damages are evidently subject to review for abuse of discretion. Statutory damages awards may be subject to this standard of review also, although some courts have held that “so long as the trial court’s statutory damages award falls within the statute’s prescribed limits, our review of such award ‘is even more deferential than abuse of discretion’”. *Broad. Music, Inc. v. Crocodile Rock Corp.*, 634 F. App’x 884, 886 (3d Cir. 2015) (citation omitted).

**5.9 What is the period in which an action must be commenced?**

Under 15 U.S.C. § 507, a civil action must be brought within three years of when the cause of action accrues, while a criminal action must be brought within five years of accrual. Pursuant to the “separate-accrual rule”, each *new* act of infringement gives rise to a separate claim that accrues. *Petrella v. Metro Goldwyn-Mayer*, 134 S. Ct. 1962, 1969, 1976 (2014). Although a copyright plaintiff does not recover damages for periods prior to the three-year look-back, the plaintiff is, if successful, entitled to prospective injunctive relief.

**6 Criminal Offences**

**6.1 Are there any criminal offences relating to copyright infringement?**

Criminal prosecutions for copyright-related crimes are rare in the United States; however, there are a number of copyright-related acts that are technically subject to criminal prosecution. These sections highlight the most common criminal copyright issues, but are not intended to be exhaustive.

Criminal copyright offences in the United States focus primarily on acts that infringe the author’s reproduction and distribution rights. (See discussion in question 6.2). Violations of other rights, such as the performance right, may also be subject to criminal penalties if the violation is wilful and for the purpose of profit or commercial advantage.

In addition to criminal infringement, criminal penalties may also apply to the fraudulent use of the “©” copyright notice, or the fraudulent destruction or removal of the “©” from another’s work. Additionally, it is a crime in the United States to make an unauthorised recording of a motion picture or a live musical performance. Finally, if a copyright owner utilises a label, certificate, licensing document or similar device to mark its genuine goods, it is a crime to use such device in connection with the sale of an unauthorised copy of the copyright owner’s work.

**6.2 What is the threshold for criminal liability and what are the potential sanctions?**

To be held criminally liable for the unauthorised reproduction or distribution of a copyrighted work, the government must demonstrate the infringement was wilful and was:

- a. for the purpose of commercial advantage or private financial gain;
- b. by the reproduction or distribution, in a 180-day period, of one or more works having a total retail value of more than \$1,000; or
- c. by the distribution of a work being prepared for commercial distribution, by making it available on a computer network accessible to members of the public, if such person knew or should have known that the work was intended for commercial distribution

If the government proves the elements listed in section c, or demonstrates that the defendant reproduced or distributed at least 10 works having a total value of at least \$2,500 within a 180-day period, the infringement is a felony carrying a potential punishment of up to five years’ imprisonment and a \$250,000 fine. All other cases are treated as misdemeanours, for which the maximum term of imprisonment is one year.



## 7 Current Developments

### 7.1 Have there been, or are there anticipated, any significant legislative changes or case law developments?

This year saw cases of first impression, a U.S. Supreme Court decision examining the criteria for discerning between a copyrightable design and a mere “useful article”, and an amusing fair use case.

#### Cases of First Impression

**Failure To Plead Domestic Copyright Infringement Held Not Jurisdictional Defect.** In *Geophysical Service, Inc. v. TGS-NOPEC Geophysical Co.*, 850 F.3d 785 (5th Cir. 2017), the U.S. Court of Appeals for the Fifth Circuit examined a novel jurisdictional question, as well as complex international law questions. There, a Canadian company in the seismic data field sued a domestic company for copyright infringement, alleging that the defendant unlawfully copied its pictures of the ocean floor, copies the defendant obtained from the Canadian government. The appellate court held that, although the plaintiff did not allege domestic copyright infringement, this failure was not a fatal jurisdictional defect. The court explained that the necessity that infringing behaviour be domestic is a necessary element of the merits of the plaintiff’s claim – but not of jurisdiction. On a second issue, whether the defendant had unlawfully imported copies of the subject works, the court disagreed with the plaintiff’s argument that the “act of state” doctrine, which limits a U.S. court’s determination of the validity of a foreign government’s acts, barred the court from determining whether the copies of the works at issue made by the Canadian government were lawfully made. The court held the importation question to be outside the scope of the act of state doctrine. As to the plaintiff’s claim that the Canadian seismic company was also contributorily liable for inducing the copying of the works by the Canadian government agency, the court held that the doctrine of extraterritoriality barred this claim, because the direct infringement upon which it was premised occurred in Canada, not in the United States.

**Posting on the Internet Does Not Automatically Create Inference of Defendant’s Access to Copyrighted Work.** In *Design Basics, LLC v. Lexington Homes, Inc.*, 858 F.3d 1093 (7th Cir. 2017), an owner of copyrights for architectural designs of homes sued a competitor for copyright infringement. The plaintiff, effectively a copyright “troll” that paid its employees and agents a bounty to spot potential cases, furnished scant evidence to prove the defendant ever saw its architectural plans or reproduced them, relying upon a declaration from a draftsman stating that Design Basics’ plans were widely distributed on its company’s website. In turn, the defendants’ shareholders and employees denied seeking the plaintiff’s plans prior to suit. In upholding the grant of summary judgment for the defendant, the U.S. Court of Appeals for the Seventh Circuit explained that the plaintiff had to show that the defendant had “access” to the plaintiff’s work for infringement to lie. “Access”, in turn, meant the defendant had the opportunity to copy the original work. Considering the novel issue within the Circuit as to whether mere posting of the copyrighted work on the plaintiff’s website, without more, constituted access, the court noted that, even if the defendant were aware of the plaintiff, that fact alone would not suffice to show access.

**The U.S. Supreme Court Speaks on the Protectability of Design Elements.** The 2017 Guide reported on a case out of the U.S. Court of Appeals for the Sixth Circuit considering when design elements of a useful article are protectable, noting that the appellate court

held that visual designs on certain cheerleading costumes could be protectable, and also observing that the U.S. Supreme Court had decided to take up the case. The U.S. Supreme Court has now affirmed that decision in *Star Athletics, LLC v. Varsity Brands, Inc.*, 137 S.Ct. 1002 (2017). Specifically, at issue was a suit by a manufacturer of cheerleading uniforms against a competitor for allegedly infringing the copyrighted designs of its uniforms. Answering the plaintiff’s rallying cry, the Court found the plaintiff’s lines, chevrons, and colourful shapes in its uniform design elements protectable. The Court interpreted Section 101 of the Copyright Act, which affords limited protection to “pictorial, graphic, or sculptural features” of the “design of a useful article”. Such elements are only copyrightable, the Court emphasised, where they would constitute a two-dimensional or three-dimensional work of art extracted, or separable, from a useful article (such as the cheerleading garments themselves), and would comprise a pictorial, graphic, or sculptural work on its own or fixed in another tangible medium of if imagined separated from the useful article. Interestingly, the Court abrogated a recent appellate decision that had found it necessary to distinguish between physical separability and conceptual separability for copyright protection to adhere; in other words, the physical article need not survive after the design is extracted for copyright protection in the design to apply. As the Court remarked: “A fresco painted on a wall . . . would not lose copyright protection, for example, simply because it was designed to track the dimensions of the surface on which it was painted.” *Id.* at 1012.

**Is it “Fair Use” to Ask “Who’s on First”?** Fans of the great American comedy team Abbott and Costello may take great interest in a decision applying the fair use defence (defence discussed in Section 5.4): *TCA Television Corp. v. McCollum*, 839 F.3d 168 (2nd Cir. 2016). This case involved the mid-twentieth century comedy duo’s famous baseball routine, in which the two men played off a misunderstanding about the line-up of a baseball team including players called “Who”, “What”, and “I Don’t Know”, illustrating how those names created confusion in their dialogue. The defendants created and produced a play mimicking that routine, in which the main character, wooing his hoped-for girlfriend, acts out parts of the Abbott and Costello routine with no less than a puppet for his partner. Unhappy with this production, Abbott and Costello’s heirs sued for copyright infringement. Finding the defendant’s play did not so clearly constitute a fair use so as to warrant dismissal of the case, the U.S. Court of Appeals for the Second Circuit applied the fair use factors articulated in the Copyright Act. The court observed that: The play was not “transformative” where it did not alter the routine; that the defendant used the comedy sketch at issue for a commercial purpose; the comedy sketch was very protectable as an original comedy for public entertainment; that the amount of the work appropriated played on the central joke in the routine; and that the plaintiff had alleged a derivative market for licensing the routine and market harm caused by the defendant’s infringement. The court nevertheless upheld dismissal of the case, finding the plaintiffs to be out of luck because they did not plead ownership of a valid copyright interest in the routine as a matter of law by assignment, work for hire, or merger of the routine (into certain films) so that the plaintiffs did not have to renew the copyright in it separately.

**Pending Copyright Legislation.** On the legislative front, pending in the U.S. Senate currently is legislation that would affect the Register of Copyrights, the chief executive officer of the United States Copyright Office. “The Register of Copyrights Selection and Accountability Act”, H.R. 1695 – which at the time of this writing has passed in the U.S. House of Representatives – would require the President, with the advice and consent of the Senate, to appoint the Register of Copyrights. The Register of Copyrights is currently is appointed by the Librarian of Congress.

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**7.2 Are there any particularly noteworthy issues around the application and enforcement of copyright in relation to digital content (for example, when a work is deemed to be made available to the public online, hyperlinking, etc.)?**

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The U.S. courts decided several cases examining the necessary elements for liability of an actor in the digital realm, as well as a suit involving whether an Internet streaming company should enjoy compulsory licence rights.

**Liability for Direct Infringement Requires “Volitional”**

**Conduct:** In *Perfect 10, Inc. v. Giganews, Inc.*, 847 F.3d 657 (9th Cir. 2017) and *BWP Media USA, Inc. v. T&S Software Assocs., Inc.*, 852 F.3d 436 (5th Cir. 2017), the U.S. Courts of Appeals for the Ninth and Fifth Circuits confirmed that the so-called “volitional conduct” requirement is an element of a claim for direct copyright infringement against any entity that provides a service or technology (for instance, a tape recorder or DVR) that could enable its customers potentially to infringe a copyright. In other words, when an entity like an on-line message board website provides the means for its customers to infringe a copyright through the use of its services – for instance, by uploading an infringing photograph to the message board – it will not be held liable for direct copyright infringement merely for passively providing these tools. To be found liable for direct infringement, it must instead have engaged in “volitional conduct”, which has been commonly understood not to state an intent requirement, but rather to mean that the entity to be found liable for direct infringement must have been actively involved in the infringement, not just a passive participant. There had been doubt whether this rule survived the U.S. Supreme Court’s ruling in *American Broadcasting Cos. v. Aereo, Inc.*, 134 S.Ct. 2498 (2014), in which the U.S. Supreme Court found that the provider of an online streaming service was liable for direct infringement without squarely addressing the volitional conduct requirement. While some observers and litigants had argued that the U.S. Supreme Court’s decision impliedly overruled the volitional conduct requirement, these decisions show that, at least in the Fifth and Ninth Circuits, that is not the case.

**Recent Decisions Rejecting Application of DMCA Safe Harbors:**

The Digital Millennium Copyright Act (DMCA) provides immunity from secondary liability for copyright infringement to certain classes of Internet service providers, so long as they comply with certain provisions designed to diminish the amount of copyright infringement engaged in through their systems. Among these is the requirement that the service provider adopt a reasonable policy for terminating customers who are repeat copyright infringers. In *EMI Christian Music Grp. v. MP3tunes, LLC*, 844 F.3d 79 (2d Cir. 2016), the U.S. Court of Appeals for the Second Circuit reversed a district court decision on the meaning of “repeat infringer” under the DMCA. The lower court had ruled that only those infringers who upload infringing content to the Internet knowing that their conduct infringes another’s copyright could be considered “repeat infringers.” In reversing, the Second Circuit clarified that the DMCA’s definition of “repeat infringer” does not include an intent element.

**No Compulsory Licence for Streaming Broadcast TV On-Line:**

The Copyright Act provides a statutory licence that permits cable system operators to re-transmit over-the-air broadcast signals on their system without negotiating for copyright licences for the works embodied on the over-the-air signal. In a recent decision, *Fox Television Stations, Inc. v. Aereo, LLC*, 851 F.3d 1002 (9th Cir. 2017), the Ninth Circuit ruled that this compulsory licence was not available to an Internet streaming company that retransmitted over-the-air broadcast signals via the Internet, because the streaming company did not qualify as a “cable system” as it is defined in the statutory licence. In so ruling, the court relied heavily on Copyright Office reports and testimony before Congress stating that the Internet-based retransmission services are not “cable systems” under the terms of the statutory licence.

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