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LOGORAMA: The Great Trademark Heist

By Rose Lawrence

In 2010 the Academy Award for Best Animated Short Film went to LOGORAMA, a 16-minute film by French collective H5. H5 used over 3,000 trademarked logos and mascots without permission as backgrounds, plots and characters. A Los Angeles is created from logos serving as buildings, street signs, vehicles and nature. The inhabitants include AOL messengers, Pringles men, and Michelin men. Ronald McDonald is the villain, who kills a foul-mouthed Haribo boy and takes the Big Boy burger boy hostage. The Esso Girl is the heroine who escapes the X-Box earthquake causing California to sink into the ocean until the new state outlines are a Nike Swoosh. LOGORAMA is a spectacular movie, but many question whether it is legal under the Lanham Act and the 2006 Trademark Dilution Revision Act. Since their trademarks were utilized without permission, all of the depicted trademark owners would seem to have claims for infringement and - given the crude and violent nature of the film - claims of dilution by tarnishment as well. However, recent legislative interpretation and judicial proceedings appear to indicate that LOGORAMA is a commercial use eligible for the non-commercial use exception under the Trademark Dilution Revision Act and protected free speech as parody under the First Amendment.¹

To constitute infringement, a mark must be used in commerce and likely to confuse consumers as to the product or service's origin.² Claims for infringement would be available to every mark in LOGORAMA that was in place of a tree, building, character, geography, vehicle, etc. For example, in *Caterpillar Inc., v. Walt Disney Co.*, Caterpillar sought to enjoin the release of Disney's "George of the Jungle 2" movie because the exact Caterpillar trademark was depicted on Caterpillar bulldozers used throughout the movie.³ The Central

District for Illinois court resisted applying a likelihood of confusion test to Caterpillar's claim, but nonetheless briefly went through the factors.⁴ The court did not recognize the presence of competing trademarks because the trademarks depicted were the authentic trademark and not confusingly similar trademarks.⁵

Likewise the court saw no competition between Caterpillar and "George of the Jungle 2" videos and DVD sales.⁶ The court did note Disney's bad intent in the unauthorized use of Caterpillar trademarks, but found it unconvincing as the Caterpillar trademark was not used to drive sales or derive consumer awareness of "George of the Jungle" videos and

DVDs.⁷

Additionally, the court did not see any evidence that in using the Caterpillar trademark Disney was attempting to "poach or free-ride on the fame and goodwill of Caterpillar's trademarks."⁸ In essence, Caterpillar's claims rested heavily on the mere presence of its trademarks in the movie, and the court responded by pointing to a long history of products "bearing well known trademarks" incorporated into movies and television.⁹ The court held that the mere presence was not enough for claims of infringement or dilution in "George of the Jungle 2."¹⁰ This judicial decision echoes others for the principle that permission is not needed for the use of brand names in fiction as long as the trademark refers specifically to the trademark owner and there is no confusion as to sponsorship or endorsement.

The same logic seems applicable to LOGORAMA. Most of the marks used in the film are merely present in the film and representative of nothing more than themselves. There is no presence

921 (C.D. Ill. 2003).

4. *Id.*

5. *Id.*

6. *Id.*

7. *Id.*

8. *Id.*

9. *Id.*

10. *Id.*

1. This paper is restricted to the United States treatment of Trademarks, state and federal cases are referenced for support.

2. LANHAM ACT, 15 U.S.C. 22 (2006).

3. *Caterpillar Inc., v. Walt Disney Co.*, 287 F. Supp. 2d. 913, 919-

of competing marks - the marks used were specifically chosen because they were recognizable national brands that reference themselves and no other product.¹¹ Like in *Caterpillar*, it cannot be said that the LOGORAMA film competes with or substitutes the market for the logos depicted in the film, whose products range from oil, fast food, toothpaste, financial services, etc. It is unlikely that the public would think these trademark owners have branched into the film industry, much less as a collective. The sheer abundance of trademarks utilized also weighs against consumer confusion. It is hard to imagine that a reasonable person would watch LOGORAMA and believe that 3,000 trademark owners had functioned together to sponsor the film. Audiences are accustomed to seeing trademarks in movies, and do not tend to assume from their presence that the trademarks depicted represent an endorsement or other indication of origin. Rather, the marks are accepted as part of the visual vocabulary of the real world.

Similar to *Caterpillar*, there is a possible argument for H5's bad faith in using the 3,000 marks without permission. In *Caterpillar*, the court focused on whether the mark was used to drive sales of the film, and found that it was not.¹² LOGORAMA is unique in using nothing but logos, leading critics to question whether it would have garnered the same attention without the logos. The use of the logos certainly called the film to the public's initial attention; however, it was the expressive, and not commercial, use of these marks that was the heart of the film. LOGORAMA was first available, and remains, free online - its commercial success can be attributed to winning the 2010 Academy Award rather than the mere use of the marks.¹³ Even if a trademark owner were to argue that the expression of the marks contributed to LOGORAMA sales, the Northern District of California court in *Lucasfilm Ltd. v. Media Mkt. Group, Ltd.* commented "expressive use of a mark is not rendered commercial by the impact of the use on sales."¹⁴

11. Nominative fair use is not discussed in this paper, as the main elements of the doctrine concern protection for using one brand to reference or distinguish another in a descriptive sense. Here there are no competing brands so nominative fair use is inapplicable, other than a stretched argument that LOGORAMA does not use the brands more than is necessary than to describe the world it creates.

12. *Caterpillar Inc., v. Walt Disney Co.*, 287 F. Supp. 2d. 913, 919-921 (C.D. Ill. 2003).

13. LOGORAMA can be viewed free of charge at UsefulArts.us, <http://usefularts.us/2010/04/24/watch-logorama-trademarks/>.

14. *Lucasfilm Ltd. v. Media Mkt. Group, Ltd.*, 182 F. Supp. 2d 897, 900 (N.D. Cal. 2002).

If *Caterpillar* is controlling, then the additional claim of dilution by tarnishment against LOGORAMA is more compelling. Dilution does not require a likelihood of confusion.¹⁵ Dilution by tarnishment does require that a mark harm the reputation of a famous mark.¹⁶ This happens when the mark is cast in an unflattering light, typically through its association with inferior or unseemly products or services.¹⁷ The trademark's reputation and commercial value could be harmed "because the public will associate the lack of quality or the lack of prestige in the defendant's goods with the plaintiff's unrelated goods, or because the defendant's use reduces the trademark's reputation and standing in the eyes of consumers as a wholesome identifier of the owner's products or services."¹⁸ Finally, dilution by tarnishment is a claim only available to famous marks.¹⁹ Through the eight factors, the Trademark Dilution Revision Act effectively restricts "famous" to nationally recognized brands.²⁰ In LOGORAMA, the characters that dominate the plot are Ronald McDonald, the Esso Girl, Big Boy, Haribo, Michelin, Pringles, and, to a lesser extent, Green Giant and Mr. Clean. All these marks are representative of national brands and are therefore arguably "famous." In LOGORAMA it is these famous marks that make up the lead characters, responsible for the cursing, sex, and extreme violence that drive the plot. However, the remaining national brands used as buildings, geography, vehicles, and street signs may be eligible for consideration under the requirement of harm to reputation due to their inclusion in the film that features hyper language, sex, and violence. H5 specifically chose 3,000 famous national brands for use because they wanted them to be widely recognized by the public. However, on this claim LOGORAMA can be argued to be a protected free speech parody under the non-commercial exception of the Trademark Dilution Revision Act.

The key factor in finding a non-commercial use exception under dilution by tarnishment is that an offending mark must be tied to a product or service and

15. FEDERAL TRADEMARK DILUTION ACT, 15 U.S.C. 1125 (2006)

16. *Id.*

17. ToysRUs was successful in bringing a tarnishment claim against adultsrus.com, a pornographic web-site selling adult entertainment toys and video. *Toys "R" Us v. Akkaoui*, 40 U.S.P.Q.2d (BNA) 1836 (N.D. Cal. 1996).

18. *Deere & Co. v. MTD Products, Inc.*, 41 F.3d 39, 43 (2nd Cir. 1994).

19. FEDERAL TRADEMARK DILUTION ACT, 15 U.S.C 1125(c) (2006).

20. *Id.*

used in commerce.²¹ In *Mattel, Inc., v. MCA Records Inc.*, the “Barbie Girl” case, the Ninth Circuit court commented on the “noncommercial use” exception to the Anti-Dilution Act.²² Mattel brought suit for infringement and dilution by tarnishment against MCA Records for the single “Barbie Girl” by Aqua wherein Barbie was enticed to “go party.”²³ The court found the song to be a “commercial use in commerce,” because the song and the album used the mark and were sold to the public.²⁴ However, it also found “Barbie Girl” to be eligible for the non-commercial use exception, stating a “use in commerce” does not preclude a “non-commercial use” exception.²⁵ Deciding whether speech is commercial or non-commercial brings the First Amendment into the fight.

Previously in *Hoffman v. Capitol Cities/ABC Inc.*, the Ninth Circuit court delineated between commercial and noncommercial speech.²⁶ In *Hoffman*, a magazine printed unauthorized altered images of Dustin Hoffman and others. Hoffman sued for the unauthorized use of the Tootsie image. The court held that “the ‘core notion of commercial speech’ is that it ‘does no more than propose a commercial transaction.’”²⁷ The court found that if speech is not “purely commercial,” meaning it does more than a mere commercial transaction, than it is not infringing for trademark purposes but entitled to full protection under the First Amendment.²⁸ Specifically, it held that regardless of the commercial nature, the magazine ad was protected because of “humor” and “visual and verbal editorial comment.”²⁹ The fact that commercial elements were “inextricably entwined with [these] expressive elements,” lent it protection against trademark infringement and dilution.³⁰ *Mattel* also applied this standard and found “Barbie Girl” by Aqua to likewise not be purely commercial speech because it

expressed Aqua’s view of Barbie.³¹

LOGORAMA does not use any of the 3,000 marks in connection to a product or service other than those of the trademarks themselves. Rather, LOGORAMA utilizes the 3,000 marks to create a world of contemporary visual vocabulary. The marks are innovatively used for commentary on themselves as well as in relationship to each other. Similar to *Hoffman*, the commercial value of the LOGORAMA is inextricably entwined with expressive elements, and therefore the entirety should be protected under the First Amendment by its’ “visual and verbal editorial comment.”³² Thus, under *Mattel* and *Hoffman*, it would be difficult to cast LOGORAMA as “purely commercial” speech. LOGORAMA therefore should be eligible for the non-commercial speech exception to the Trademark Dilution Revision Act and protected under the First Amendment. Specifically, LOGORAMA should be protected as a parody.

In *Mattel*, the “Barbie Girl” song was found to be a parody that ridicules the image and cultural values Barbie supposedly represents.³³ *Mattel* points out further legislative history to support that parody - satire; editorial and other forms of expression were specifically not part of a commercial transaction in the purposing of the Trademark Dilution Revision Act.³⁴ *Mattel* referenced a previous ruling in *LL Bean, Inc. v. Drake Publishers, Inc.* affirming the parody protection.³⁵ LL Bean sought to enjoin the release of the magazine’s article “L.L. Bean’s Back-To-School-Sex-Catalogue,” which depicted a mark similar to L.L. Bean’s and showed nude models using products in sexually explicit positions.³⁶ The First Circuit court held this to be a parody, noting that if the anti-dilution statute allowed trademark owners to enjoin an unauthorized use of its’

21. “Dilution” refers to the “whittling away of the value of a trademark” when it’s used to identify different products. J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 24.67, at 24-180; § 24.70 (2001).

22. *Mattel, Inc., v. MCA Records, Inc.*, 296 F.3d 894 (9th Cir. 2002).

23. *Id.* at 900.

24. *Id.* at 904.

25. *Id.* at 906., citing Jerome Gilson et al., *Trademark Protection and Practice* § 5.12[1][c][vi], at 5-240.

26. *Hoffman v. Capital Cities/ABC, Inc.*, 255 F.3d 1180 (9th Cir. 2001).

27. *Id.* at 1184 (quoting *Bolger v. Youngs Drug Products Corp.*, 463 U.S. 60 (1983)).

28. *Hoffman v. Capital Cities/ABC, Inc.*, 255 F.3d 1180, 1186 (9th Cir. 2001).

29. *Id.*

30. *Id.*

31. *Mattel, Inc., v. MCA Records, Inc.*, 296 F.3d 894 (9th Cir. 2002).

32. *Hoffman v. Capital Cities/ABC, Inc.*, 255 F.3d 1180, 1186 (9th Cir. 2001).

33. *Mattel, Inc., v. MCA Records, Inc.*, 296 F.3d 894 (9th Cir. 2002).

34. The proposed law “will not prohibit or threaten noncommercial expression, such as parody, satire, editorial and other forms of expression that are not a part of a commercial transaction.” *Mattel, Inc., v. MCA Records, Inc.*, 296 F.3d 894, 906 (9th Cir. 2002) (quoting 141 Cong. Rec. S19306-10, S19310 (daily ed. Dec. 29, 1995) (statement of Sen. Hatch); 141 Cong. Rec. H14317-01, H14318 (daily ed. Dec. 12, 1995) (statement of Rep. Moorhead)).

35. *Mattel, Inc., v. MCA Records, Inc.*, 296 F.3d 894 (9th Cir. 2002).

36. *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26 (1st Cir. 1987).

trademark from being used in noncommercial contexts that were negative or offensive then “a corporation could shield itself from criticism by forbidding the use of its name in commentaries critical of its conduct.”³⁷ The First Circuit cited noncommercial settings to include editorial or artistic context communicating ideas or expressing points of view.³⁸ Furthermore, the court referenced a previous decision in which it held that neither the strictures of the First Amendment, nor the history and theory of anti-dilution law permit a finding of tarnishment based solely on the presence of an unwholesome or negative context in which a trademark is used without authorization.³⁹ LOGORAMA depicts the majority of its unauthorized famous marks in an unwholesome context, such as Ronald McDonald killing the Haribo Boy and taking Big Boy hostage, an up-the-skirt view of the Green Giant, and an extroverted homosexual Mr. Clean zoo guide. *L.L. Bean* and *Mattel* would indicate that though perhaps unwholesome and negative, these depictions alone are not actionable.

The crux of such protected expression is a parody that requires the target of the parody to be the mark itself and not the use of the mark to make a broader statement. In *Rogers v. Koons*, a copyright case, artist Jeff Koons made a sculpture from a photograph by Art Rogers.⁴⁰ The Second Circuit found Koons’ parody fair use defense unconvincing.⁴¹ The court held that the copyrighted work is required to be at least in part the target of the defendant’s satire to be legally considered a “parody.”⁴² However, the court also said that the “satire need not be only of the copied work and may . . . also be a parody of modern society” but it was critical the original work still be a target as well.⁴³ The purpose of this requirement was the court’s insistence that “the audience be aware that underlying the parody there is an original and separate expression, attributable to a different artist.”⁴⁴ The court did not find parody or

sufficient satire, as the commentary of the banality of society Koons was after could have been achieved by other means and was not tied to the Rogers work for expression.⁴⁵

The copyright understanding of parody and satire is analogous in trademark law, as the court in *Mattel* relied on this in deciding that the “Barbie Girl” expression was protected as a parody.⁴⁶ While targeting Barbie specifically, the song had a broader message as well due to Barbie’s status as a cultural icon in society. In contrast, the Ninth Circuit court in *Dr. Seuss Ents., L.P. v. Penguin Books USA, Inc.*, did not find parody where the defendants used the writing style of Dr. Seuss and the trademark striped stovepipe hat on the front and back cover in a retelling of the O.J. Simpson trial.⁴⁷ Neither Dr. Seuss nor the trademarked Cat in the Hat were the targets of the parody, rather they were used to comment on the O.J. Simpson trial.⁴⁸ The court held that in situations where the artistic work targets an original work and does not use it merely to garner attention, the First Amendment has greater weight in the balancing test of trademark interests and protected speech.⁴⁹

LOGORAMA targets the marks themselves in creating an elaborate parody for artistic expression. Ronald McDonald, a wholesome mark representing McDonald’s, is primarily used to engage children in the consumption of McDonald’s fast food. In LOGORAMA, Ronald kills a child and threatens another before escaping on a Grease 2 motorcycle and crashing into a giant Weightwatchers truck. Similar to *Mattel* where Aqua targeted the cultural values associated with the Barbie Icon, LOGORAMA here targeted the cultural values associated with McDonald’s icon, Ronald McDonald. Both placed trademarked icons in hyper realities of sex or violence to parody their traditional values. During the X-Box earthquake, the corporate symbols initially shown as pillars in the society are seen crashing to the earth- including the Enron, K-Mart, and Freddie Mac corporations that have been involved in recent and very public scandals. Likewise, logos seen drowning in oil include Phillips 66, Chrysler, and the “W” from the George W. Bush reelection

37. Trademark rights do not entitle the owner to quash an unauthorized use of the mark by another who is communicating ideas or expressing points of view. See *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26 (1st Cir. 1987) (quoting *Lucasfilm Ltd. v. High Frontier*, 662 F. Supp. 931 (D.C. 1985)).

38. *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 31-34 (1st Cir. 1987).

39. *Id.*

40. *Rogers v. Koons*, 960 F.2d 301, 311 (2d Cir. 1992).

41. *Id.*

42. *Id.*

43. *Rogers v. Koons*, 960 F.2d 301, 311 (2d Cir. 1992) (citing *MCA, Inc. v. Wilson*, 677 F.2d at 185 (2d. Cir. 1981); 3 Nimmer, § 13.05[C] n. 60.9).

44. *Rogers v. Koons*, 960 F.2d 301, 311 (2d Cir. 1992).

45. *Id.*

46. *Mattel, Inc., v. MCA Records, Inc.*, 296 F.3d 894 (9th Cir. 2002).

47. *Dr. Seuss Ents., L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394 (9th Cir. 1997).

48. *Id.*

49. *Id.* at 1408.

campaign of 2004 - all logos connected strongly to oil production. While not all of the marks achieve the same level of parody, as already discussed in *Caterpillar*, mere presence is not actionable. Additionally, those logos that don't have as strong of a claim to parody are not used "merely to garner attention" which was the concern in *Dr. Seuss*. The use of every mark lends to the greater message of the film. One such instance occurs near the end of the film as an IBM building is seen collapsing. As it falls to the ground its slogan loses an "s" to read "Solutions for a mall planet." The larger parody is of a hyper consumption of the developed world and the overwhelming presence of brands in the public consciousness.⁵⁰ However, it is important to note that this broader parody is a natural result of parodying multiple brands at once and is not an independent critique that could have been made without the use of marks. Thus, LOGORAMA would seem to fit nicely into the *Koons*' court's consideration of copyright, in that a parody can be a parody of modern society as long as the original work is still targeted.⁵¹

This difference is important to note because the line between parody and satire is a hotly debated topic since *Campbell v. Acuff-Rose Music, Inc.*⁵² There, the Supreme Court differentiated between a parody that targets and mimics the original work to make its point and a satire that uses the work to criticize something else, therefore requiring justification for the very act of borrowing.⁵³ The Court specifically avoided creating a bright line rule regarding parody and satire in *Campbell*, pointing out the often hybrid nature of parody and satire.⁵⁴ *Campbell* merely states that the more attenuated the parody, the stronger the scrutiny and that "looser forms of parody may be found to be fair use, as may satire with lesser justification for the borrowing than would otherwise be required."⁵⁵ Recent developments support the specific protection of unauthorized use trademarks in satire based on their intrinsic expressive value in society.

50. Esteban Del Rio, FLOWTV, *Logorama's Chaotic Critique of Corporate Rule*, Mar. 26 2010 available at <http://flowtv.org/?p=4857>. It is important to note this article uses parody and satire interchangeably, and does not use them in a legal sense.

51. "Though the satire need not be only of the copied work and may . . . also be a parody of modern society, the copied work must be, at least in part, an object of the parody." *Rogers v. Koons*, 960 F.2d 301, 310 (2d Cir. 1992).

52. *Campbell v. Acuff-Rose Music, Inc.*, 510 US 569 (1994).

53. *Id.* at 582.

54. *Id.*

55. *Id.*

Judge Kozinski, who wrote the majority opinion in *Mattel*, noted in his 1993 speech "Trademarks Unplugged" that "when trademark owners put their mark to the public in well-orchestrated campaigns intended to burn them into our collective consciousness, the owners must then relinquish control over the trademark as a consequence of seeking such exposure because the mark has taken on symbolic meaning as part of society at large."⁵⁶ After a trademark has become part of the public discourse, the paramount concern in any balancing test must be the public's right to make use of the mark.⁵⁷ Further judicial proceedings have noted trademarks' unique expressive capacity as well.

In *Yankee Publishing, Inc., v. News American Publishing, Inc.*, the Southern District of New York court noted that many trademarks assume expressive value due to their prominence in culture.⁵⁸ "When unauthorized use of another's mark is part of a communicative message and not a source identifier, the First Amendment is implicated in opposition to the trademark right."⁵⁹ In *Rogers v. Grimaldi*, the Second Circuit court held that "in general the [Lanham] Act should be construed to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression."⁶⁰ Famous marks have particularly strong powers of expression, especially if they are cultural icons.⁶¹ Their fame has integrated the marks into daily life as well as public vocabulary; the use of the trademark is the most efficient way to reference it.⁶² The emerging arguments concerning trademarks' unique expressive power in the public consciousness would seem to strengthen the argument for satire. In a world populated by brands, it becomes necessary to include marks, whether the subject of parody or satire, for the expression to be successfully understood. The *Mattel* court seems to agree, stating, "Trademarks often fill in gaps in our vocabulary and add a contemporary flavor to our expressions."⁶³ Thus, if LOGORAMA were

56. Alex Kozinski, Judge, United States *Trademarks Unplugged*, 68 N.Y.U. L. REV. 960, 976 (1993).

57. *Id.*

58. *Yankee Publ'g, Inc., v. News Am. Publ'g, Inc.*, 809 F.Supp. 267, 282 (S.D.N.Y. 1992).

59. *Id.*

60. *Rogers v. Grimaldi*, 875 F.2d 994, 1000 (2d Cir. 1989).

61. Steven Cordero, *Cocaine-Cola, The Velvet Elvis, and Anti-Barbie: Defending the Trademark and Publicity Rights to Cultural Icons*, 8 FORDHAM INTELL. PROP. MEDIA & ENT. L. J. 599 (1998).

62. Robert Denicola, *Trademarks As Speech*, 1982 WIS.L.REV. 158 (1982).

63. *Mattel, Inc., v. MCA Records, Inc.*, 296 F.3d 894, 901 (9th Cir. 2002).

to be considered satire rather than parody, it is possible it would still be protected. It is hard to talk about brands and consumption without using the brands that are nationally known. As a result of the film utilizing so many marks, LOGORAMA naturally assumes a secondary meaning beyond the marks.

Further support for a finding of non-commercial exception of parody in LOGORAMA is illustrated in *Tommy Hilfiger Licensing, Inc. v. Nature Labs, LLC*, where Tommy Hilfiger sought to enjoin an animal perfume entitled Timmy Holedigger. The court for the Southern District of New York reasoned that the strength of the mark subject to parody might make it easier for an audience to recognize the use as a parody.⁶⁴ The marks used in LOGORAMA are nationally recognized brands whose reputation is well established, their depiction in the film is in total opposition to their established reputation. This extreme contrast should assist in a finding of parody. The concern in the copyright *Koons* case was that the audience must be aware that there is an original and separate expression attributable to a different artist.⁶⁵ In the hands of H5, the marks in LOGORAMA become something other and extremely different than what they were and it is understood these new marks are their creation, independent of the originals. Additionally, in deciding trademark dilution in *Caterpillar*, the court emphasized the “cartoon” nature of the film through its borrowing of motifs from animated films such as “belated recognition close-ups, collisions so bone-jarring that George’s outline is left embedded into a tree and other such well established cartoon clichés that clearly establish the fantastic nature of the movie.”⁶⁶ This fantastic nature lends to the idea that the public would not see the Caterpillar trademark used in the movie as an association that would harm the reputation of the trademark owner.⁶⁷ LOGORAMA is an animated film, involving similar motifs of the cartoon genre that, like *Caterpillar*, establish the fantastic nature of the film. Despite the extreme nature of the actions of many characters, the cartoon world should be sufficient for a court to find that the public would not see the associations in LOGORAMA to harm the marks depicted.

Judicial precedent seems to indicate that those

64. *Tommy Hilfiger Licensing, Inc. v. Nature Labs, LLC*, 221 F. Supp 2d 410, 417 (S.D.N.Y. 2002).

65. *Rogers v. Koons*, 960 F.2d 301, 311 (2d Cir. 1992).

66. *Caterpillar Inc., v. Walt Disney Co.*, 287 F. Supp. 2d. 913, 923 (C.D. Ill. 2003).

67. *Id.*

trademark owners who would bring claims of trademark infringement and dilution by tarnishment against LOGORAMA are unlikely to be successful. Factors that would normally be considered in a straight trademark infringement likelihood of confusion analysis are lacking. Most notably, there is an absence of competing goods, as the marks represent themselves in the film and the film cannot be considered in competition with them based on the reasoning in *Caterpillar*.⁶⁸ Also based on the sheer abundance of trademarks used, there is no likelihood of consumer confusion as to endorsement, sponsorship, or other indication of ownership. In terms of dilution, artistic expression has been found to be outside the scope of the anti-dilution statute’s protection of unauthorized use of trademarks in the marketing of “incompatible products or services.”⁶⁹ LOGORAMA is thus a daring example of the non-commercial use exception to the Trademark Dilution Revision Act and protected speech as parody under the First Amendment. It is unlikely, however, that the courts will have a chance to decide on this issue. Since winning the 2010 Academy Awards, LOGORAMA has garnered international attention and goodwill. It would be poor policy on behalf of the trademark owners to file suit. In fact, in the aftermath of the Oscars, it appears some trademark owners seem happy to have been recognized as “famous” enough to be included and have expressed no interest in pursuing trademark violation claims.⁷⁰ As a tongue-in-cheek response to the whole trademark question, H5 producer Nicolas Schmerkin in his acceptance speech thanked the 3,000 non-official sponsors that appear in the film and assured them that no logos were harmed in the making of LOGORAMA.⁷¹

68. *Caterpillar Inc., v. Walt Disney Co.*, 287 F. Supp. 2d. 913 (C.D. Ill. 2003).

69. *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 34 (1st Cir. 1987).

70. Cash Converter, a depicted trademark, thanked H5 for including it in the film. Esteban Del Rio, *Logorama’s Chaotic Critique of Corporate Rule*, FLOWTV, Mar. 26 2010 available at <http://flowtv.org/?p=4857>.

71. *Id.*

King Kirby and the Amazin' Terminatin' Copyrights: Who Will Prevail!?!?

By Jay Goldberg

"There is a war coming. Are you sure you're on the right side?"¹

-Wolverine

I. Introduction

Studies in dualism permeate the history of comic book storytelling: the righteous Superman does battle with the evil mastermind Lex Luthor; the benevolent Batman combats the destructive and nihilistic Joker; the compassionate Professor Charles Xavier and apocalyptic Magneto engage in a struggle by which the very future of humanity hangs in the balance! While these epic confrontations play out on the pages of comic books a similar, yet less simplistic, battle occurs in real life: the artist versus the publisher in the battle for copyrights. While the real-life conflict may not place the fate of humanity at risk, it does implicate an important and pervasive aspect of our society: money. Simply put, the storylines and characters developed by the comic book industry are big business. From simple, paperback origins comic books have spawned television shows, merchandise, videogames, and most lucratively, movies.² As the

power to exploit a copyright enables its possessor to reap untold profits, the battle between the parties rages fierce. While artists may not have the ability to summon super-strength or x-ray vision to their aide in this conflict, they may in certain circumstances exercise their right of copyright termination under the Copyright Act of 1976 ("the Act") to regain control of their creations.³

This, however, oftentimes proves more difficult than it might initially seem, as publishers are not without their own arsenal of statutory powers.

This article elucidates this aspect of the conflict between artist and publisher, specifically focusing on the ongoing legal struggle between the heirs of comic book artist Jack Kirby and Marvel Entertainment.⁴ First, this article gives a brief introduction to the Kirby litigation, focusing on the origins of the conflict and the relevant legal issues. Next, this essay discusses the pertinent provisions of copyright and trademark law, focusing specifically on copyright termination, the derivative works exception, and the Lanham Act, as well as utilizing case law to examine the application of the legal concepts. Finally, this essay applies the relevant doctrines to the Kirby litigation, concluding that while copyright law may vest the Kirby heirs with a right to partially reclaim their father's creations, the derivative works exception and the Lanham Act significantly weaken the value of that



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1. X-MEN (Twentieth Century Fox 2000).

2. See generally Benjamin A. Goldberger, *How the "Summer of the Spinoff" Came to Be: The Branding of Characters in American Mass Media*, 23 LOY. L.A. ENT. L. REV. 301 (2003) (discussing the conglomeration of the entertainment business, whereby proven entertainment commodities and properties are reused as often as possible in order to maximize profits, recognizing the extremely valuable nature of brand name characters). See also The Internet Movie Database, All-Time Box Office: World-wide, <http://www.imdb.com/boxoffice/alltimegross?region=world-wide> (last visited Apr. 4, 2010) (noting that some of the top worldwide grossing movies of

all time were based on comic books, for example, *The Dark Knight* (\$1,001,921,825), *Spider-Man 3* (\$885,430,303), and *Spider-Man* (\$806,700,000).

3. The United States Copyright Act, 17 U.S.C. § 304(c) (2005) (granting an artist, or their specifically-designated heir, the right to terminate a copyright "at any time during a period of five years beginning at the end of fifty-six years from the date copyright was originally secured, or beginning on January 1, 1978, whichever is later" if the copyright was executed before January 1, 1978).

4. Complaint at 1, *Kirby v. Marvel Entm't, Inc.*, Case No. 10-00289-CJC-AN (C.D. Cal. filed Mar. 9, 2010).

right. This article concludes by calling on Congress to revisit the relevant copyright and trademark provisions and comport them with one another in order to prevent the further devaluation of a reclaimed copyright by competing trademark interests.

II. The Comic Book Industry and *Kirby v. Marvel Entertainment, Inc.*

Like any fledgling upstart, the American comic book industry comes from humble and rocky beginnings. The early industry was plagued by disorganization and many times publishers operated under a “gentleman’s agreement” with their artists, whereby the artists and the publisher would achieve a general understanding that the artist would be compensated for his work, foregoing any formal contract.⁵ Many artists responsible for the “Golden Era” of the comic book industry sold their creations to publishers on this basis and consequently regretted the manner in which they conducted their business.⁶ Jack Kirby’s heirs allege that he was one of these artists.

Mr. Kirby, widely known as “King Kirby” amongst his colleagues, is directly responsible for some of the most famous and lucrative comic book characters of all time. From 1958 to 1963, Mr. Kirby either authored or co-authored works containing the characters The Fantastic Four, X-Men, Iron Man, Spider-Man, The Incredible Hulk, Thor, The Avengers, Nick Fury, and Ant-Man (“Kirby Works”).⁷ At the time of their creation, Mr. Kirby’s heirs claim that Mr. Kirby was working on a freelance basis and never committed to any

written agreement to create works directly for Marvel’s predecessors.⁸

In 1972, Mr. Kirby entered into an agreement with Marvel’s predecessor whereby he assigned his interests in the Kirby Works and the original copyrights to the company and received further compensation.⁹ On September 19, 2009, the Kirby heirs, pursuant to 17 U.S.C. § 304(c), served Marvel with notices of termination of the copyrights of all the Kirby Works to take effect at the expiration of the statutory period.¹⁰ These terminations serve as the basis of the lawsuit at hand and, if effective, will dictate the extent to which Mr. Kirby’s heirs may recover under his legacy.

In the section of the complaint pertinent to this essay, the Kirby heirs put forth two claims for relief. First, the heirs seek a declaratory judgment that the notices of termination are effective pursuant to 17 U.S.C. § 304(c).¹¹ Second, noting that a declaratory judgment on the first claim would result in a joint-ownership of the Kirby Works copyrights, the heirs ask the court to define “profits” for the purpose of the parties accounting to one another on future monetary gains.¹² As is shown in the sections that follow, the success or failure of these claims turns primarily on the court’s application of a number of legal doctrines, including aspects of both copyright and trademark law.

III. The Underlying Legal Concepts

A. Copyright Termination, Works for Hire, and the Derivative Works Exception under the Copyright Act of 1976

Copyrights are meant to protect “original works of authorship in any tangible medium of expression” and include, non-exhaustively, works of literary, graphic, musical, or dramatic merit.¹³ The Copyright Act of 1976 empowers an author, and his or her heirs, with

5. See Ashok Chandra, *Crisis of Indefinite Consequence: How the Derivative Works Exception and the Lanham Act Undercut the Remunerative Value of Termination of Transfers*, 16 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 241, 267 (2005) (stating that during the Golden Age of comic books, work made for hire agreements were not the norm); Brooks Barnes and Michael Cieply, *A Supersized Custody Battle Over Marvel Superheroes*, N.Y. TIMES, Mar. 19, 2010, <http://www.nytimes.com/2010/03/21/business/21marvel.html?8dpc> (quoting Kirby attorney Marc Toberoff as contending that “an industrywide decency code put so much pressure on Marvel that few at the company were worrying about contractual niceties with artists.”).

6. See *Siegel v. Warner Bros. Entm’t, Inc.*, 542 F. Supp. 2d 1098 (C.D. Cal. 2008) (holding that the heirs of Jerome Siegel, one of the co-creators of Superman, were entitled to a share of the U.S. copyright of that character, despite previous agreements between the parties); *Marvel Characters, Inc. v. Simon*, 310 F.3d 280 (2d Cir. 2002) (recognizing Joseph Simon’s right of termination in Captain America, despite a prior settlement of an authorship dispute).

7. *Kirby*, Case No. 10-00289-CJC-AN at ¶ 19. See generally The Internet Movie Database, <http://www.imdb.com> (last visited April 4, 2010) (noting generally that a significant number of Mr. Kirby’s creation have become lucrative movie properties).

8. *Kirby*, Case No. 10-00289-CJC-AN at ¶ 22 (asserting further that Mr. Kirby “worked solely on a freelance basis out of his own home, with his own instruments and materials and thereby bore the financial risk of creating his copyrighted materials.”).

9. *Id.* at ¶ 24.

10. *Id.* at ¶ 25. See also 17 U.S.C. § 304(c) (applying the statutory time period, note that the Kirby Works would be subject to termination from 2014-2019, 56 years from the original copyrights).

11. *Kirby*, Case No. 10-00289-CJC-AN at ¶¶ 30-33.

12. *Id.* at ¶¶ 34-37.

13. § 102(a). See also *Detective Comics v. Bruns Publ’n* 111 F.2d 432 (2d Cir. 1940) (holding that the character of Superman was protected under copyright law); Emerson, *supra* note 13, at 214 (mentioning that “graphic representations of characters are inherently expressive and thus considered copyrightable works.”).

the exclusive right to (a) reproduce their work, (b) produce derivative works based off the original work, and (c) display or otherwise perform their work.¹⁴ Once an author obtains a copyright, he may assign those rights to a third party.¹⁵ Nevertheless, the 1976 Act permits an author, or his statutory heirs, to terminate the transferred copyright after 56 years (if the copyright was created before January 1, 1978).¹⁶ A termination allows an author to recapture the copyright and either exploit the profits garnered from that copyright, renegotiate the terms of the copyright assignment, or assign the copyright to another party.¹⁷ Importantly, as the Supreme Court recognized in *Mills Music, Inc. v. Snyder*,¹⁸ unlike other rights an author cannot contract away or assign the right of termination.¹⁹ Despite this, it can still be difficult for an author or his heirs to exercise the termination right, as many statutory details must be complied with.²⁰

There are two major exceptions to the right of termination found in § 304(c) of the 1976 Act, both of which can seriously reduce the value of a terminated copyright. First, the Act expressly prohibits an author of a “work made for hire” from exercising a termination right on their creation.²¹ Instead, a work for hire vests the rights of copyright in the employer. A work made for hire is defined as “a work prepared by an employee within the scope of his or her employment” or “a work specially ordered or commissioned for use as a contribution to a collective work.”²² If an author creates a work and then later assigns the copyright to a publisher, however, the publisher may not retroactively

deem the work a work made for hire.²³

In *Marvel Characters, Inc. v. Simon*,²⁴ the court permitted the exercise of an author’s termination right despite a prior agreement between the parties that the works in question were works done for hire. Joseph Simon, the creator of the popular comic book character Captain America, sought to terminate a copyright transfer he granted to Timely Publications, a successor to Marvel Comics.²⁵ In a settlement agreement from a previous litigation, Simon acknowledged that he contributed to the Captain America character as an employee for hire and not on a freelance basis.²⁶ Despite this previous agreement, the court permitted Simon to present evidence that he did not, in fact, create Captain America as a work for hire and that the settlement agreement was an arrangement between the parties after the character’s creation.²⁷ Noting that under § 304(c)(5) of the 1976 Act an author cannot contract away his right to termination, the court permitted Mr. Simon to effect terminations, holding that the settlement agreement, which deemed the work a work for hire after its creation, was ineffective.²⁸

The second important exception to the right of termination, pertinent especially in the context of comic books, eliminates the right for derivative works created by the copyright holder prior to the exercise of the termination.²⁹ A derivative work is defined as “a work based upon one or more preexisting works.”³⁰ Generally speaking, a derivative work must be “an original work of authorship,”³¹ although a derivative author is not under a requirement to greatly change the original work in order to receive independent copyright protection.³² While

14. § 106. See also Lauren Beth Emerson, *Termination of Transfer of Copyright: Able to Leap Trademarks in a Single Bound?*, 75 *FORDHAM L. REV.* 207, 213 (2006).

15. 17 U.S.C. § 201(d) (2005).

16. § 304(c).

17. 17 U.S.C. § 203(b) (2005). See also Emerson, *supra* note 13, at 207.

18. 469 U.S. 153, 172-73 (1985) (noting that the termination right exists primarily to protect an author from “the consequences of ill-advised and unprofitable grants that had been made before the author had a fair opportunity to appreciate the true value of his work product.”).

19. § 304(c)(3), (5).

20. See Emerson, *supra* note 13, at 221 (recognizing that for a termination right to be properly executed, it must be done within a five-year window in which termination is permitted and the terminating party must give between two and ten years notice before the termination becomes effective, pointing out that when there are multiple or renegotiated agreements between the relevant parties this time period can be difficult to identify).

21. § 304(c).

22. 17 U.S.C. § 101 (2005).

23. See *Siegel v. Nat’l Periodical Publ’ns, Inc.*, 508 F.2d 909 (2d Cir. 1974) (holding that even though the creators of a comic strip revised and expanded the original material at the request of the publisher, this was not tantamount to a finding that the strip was a work for hire).

24. 310 F.3d 280 (2d Cir. 2002).

25. *Id.*

26. *Id.* at 283.

27. *Id.* at 292.

28. *Id.*

29. § 304(c)(6)(A). See also Chandra, *supra* note 5, at 278 (utilizing the example of the Superman movie, a derivative work based off of the comic book, which held its own copyright distinct from the comic book copyright).

30. § 101.

31. § 101. But see Chandra, *supra* note 5, at 279 (noting that divining what elements are to be considered part of the original and which are unique to the derivative has proven to be a difficult task).

32. See *Sheldon v. Metro-Goldwyn Pictures Corp.*, 81 F.2d 49, 54-55 (2d Cir. 1936) (recognizing that there is no “novelty, creative or aesthetic requirement for copyright in a derivative work.”). See also,

the courts have, as of yet, not identified the full extent of what constitutes a derivative work, it could potentially be construed broadly to encompass written story elements and character traits, as well as the illustrative representation of any graphical characters.³³

In *Siegel v. Warner Bros. Entm't, Inc.*, the court limited the extent of an asserted termination right under the derivative works doctrine.³⁴ The heirs of Jerome Siegel, one of the creators of Superman, sought a declaration that they had successfully terminated Mr. Siegel's half of the original copyright.³⁵ In partially granting the plaintiffs' claim, the court was forced to deal with various aspects of the copyright, including international revenues and derivative works.³⁶ While addressing the issue of international revenues and copyrights, the court cited the 1976 Act and limited the plaintiffs' termination recovery to only those profits realized by the domestic exploitation of the Superman *Action Comics, Vol. 1* copyright.³⁷ The court did not address what to do, accounting-wise, with any alteration in pre-termination derivative work. However, it did hold that profits garnered by the publisher from unaltered pre-termination derivative works were not subject to accounting with the plaintiffs.³⁸

It is clear that the doctrines of work for hire and derivative works limit the value of a copyright recaptured by an author through exercise of a termination right. Given that the *Simon* court held that a work was not a work for hire even though the publisher deemed it so after the fact, the modern comic book industry now makes it standard practice for publishers to require their artists to enter work for hire agreements up front, therefore limiting an author's ability to profit from his own work.³⁹ The derivative works exception presents

additional difficulty when applied to the comic book industry, as by their very nature, comic book characters continually evolve and change with every new issue. Therefore, it is not a stretch to imagine a court accepting the argument that a character as it exists today is far different from the character as originally copyrighted by the author, thus seriously diminishing the value of the recaptured copyright.⁴⁰

B. Trademark Protection and Copyright Overlap

In addition to copyright law, trademark law provides another method by which publishers may diminish the value of a recaptured copyright. Trademarks, by definition, are any identifiable articles that symbolize, and are readily associated with, a specific brand or producer of goods.⁴¹ Under the Lanham Act, individuals and companies are prevented from using the distinctive marks of other entities in commercial activity without permission.⁴² Unlike copyright law, which protects an image itself, trademark law is meant to protect the consumer and the goodwill of the company who owns the mark.⁴³ Therefore, rather than provide total coverage against the usage of the mark, only certain usages are prohibited.⁴⁴ Also different from a copyright, a trademark is infinite in its duration and never expires so long as the entity that owns the mark continues to exploit that mark in the marketplace.⁴⁵ An owner may additionally lose a trademark through genericide, or the inclusion of the mark into the cultural lexicon.⁴⁶

It is widely accepted that comic book characters are protected by trademark in some situations. In *DC Comics, Inc. v. Unlimited Monkey Business, Inc.*, the court held that Superman and Wonder Woman

Chandra, *supra* note 5, at 280.

33. See Chandra, *supra* note 5, at 277-78.

34. 542 F.Supp.2d 1098 (C.D. Cal. 2008).

35. *Id.* (granting the plaintiffs a copyright termination *only with respect to character and story elements as introduced in Action Comics Vol. 1*). See also Michael Cieply, *Ruling Gives Heirs a Share of Superman Copyright*, N.Y. TIMES, Mar. 29, 2008, http://www.nytimes.com/2008/03/29/business/media/29comics.html?_r=3&ref=business&oref=slogin (noting that the court in *Siegel* upheld the heirs' copyright in the material published in *Action Comics Vol. 1* only and did not determine the extent to which later versions of the character were derived from the original iteration).

36. *Id.* at 1139-43.

37. *Id.* at 1140 (citing 17 U.S.C. § 304(c)(6)(E)).

38. *Id.* at 1142-43.

39. See, e.g., DC Comics, Submissions/Talent Search, <http://dc-comics.com/about/submissions.html> (last visited Apr. 7, 2010) (noting that DC will not accept unsolicited artwork or writing).

40. See Chandra, *supra* note 5, at 283 (mentioning that in 1986 DC Comics "killed off" all of its characters only to recreate them again in the next issue, noting that because of this DC could claim that it authored all of the characters it now publishes).

41. See Emerson, *supra* note 13, at 223 (offering that trademarks can be "words, symbols, logos, sounds, scents, or even colors.").

42. See 15 U.S.C. § 1125(a).

43. See Chandra, *supra* note 5, at 271 (pointing out that a trademark does not protect the character of Mickey Mouse, but instead the good will of Disney).

44. See *Prestonettes, Inc. v. Coty*, 264 U.S. 359, 368 (1924) (holding that the use of a brand name in the description of a product is not trademark infringement).

45. 15 U.S.C. § 1127.

46. See, e.g., *King-Seeley v. Thermos Co. v. Aladdin Indus.*, 321 F.2d 577 (2d Cir. 1963) (refusing to find a trademark infringement in the defendant's usages of the word "thermos" as the word had become the generic term for describing the good itself rather than the source of the item).

were protected trademarks of DC Comics.⁴⁷ The defendant ran a singing telegram service, which featured characters that bore strong resemblance to Superman and Wonder Woman and were unlicensed by DC. In their discussion, the court noted that the characters had long been associated with and utilized by DC in the marketing of their products. Additionally, the court recognized that DC carefully chooses when, and to whom, to license usage of the marks.⁴⁸ The court noted that the trademark was not limited simply to the physical appearance of the characters, but also included the name, phrases, logos, and design marks associated with them.⁴⁹

While trademark law is limited in its application, it can significantly weaken the value of recaptured copyright. Although no court has directly addressed the issue of when copyright and trademark law overlap in this realm, it appears likely that trademark protection would interfere somewhat with an author's recaptured copyright.⁵⁰ As the court in *Unlimited Monkey Business* recognized, comic book characters and their distinguishing features have long since become associated with their publishers and when used in commerce indicate an implicit approval of the product by the company that owns the mark.⁵¹ In the event that an author, upon successful termination, decides not to license a copyrighted character back to the original publisher he would not be able to start releasing comic books or other materials of his own, as the publisher would retain the trademarks associated with the character.⁵² In cases such as *Kirby*, as shown below, this may present significant difficulty for an artist.

IV. Application to Kirby

47. 598 F. Supp. 110 (N.D. Ga. 1984).

48. *Id.* at 113.

49. *Id.*

50. See, e.g., *Frederick Warne & Co. v. Book Sales, Inc.* 481 F. Supp. 1191 (S.D.N.Y. 1979) (holding that the trademark protection of an image of a character may persist even though the copyrightable character had previously entered the public domain, so long as the mark possesses an independent value). But see *In re DC Comics, Inc.* 689 F.2d 1042, 1052 (C.C.P.A. 1982) (Neis, J., concurring) (“[I]f trademark rights are recognized in a picture of a product, the design itself may be perpetually protected, contrary to the limited term afforded to some designs under the copyright or design patent statutes.”).

51. See 542 F.Supp.2d at 1098.

52. See Chandra, *supra* note 5, at 275 (pointing out that even though copyright law dictates that upon termination the image should return to the original author, any subsequent publication or licensing of that image would be in violation of trademark law, as most comic book characters have become synonymous with their long time publishers).

Before reaching the issues present in the relevant aspects of the plaintiffs' complaint, the court must first decide whether the Kirby heirs possess a right of termination in the first place. This turns, in essence, on two issues: did Jack Kirby originally produce the characters as a freelance artist or as works for hire, and if he did produce them as a freelance artist does his estate still possess his right to termination? As the 1976 Act states, the right of termination does not apply to works for hire.⁵³ In such a case, the copyrights belong to the publisher, who is deemed the author of the works.⁵⁴ If, on the other hand, Mr. Kirby produced the works with his own materials and on his own initiative, then his heirs undoubtedly possess the right to reclaim the original copyright.⁵⁵ As discovery has yet to be conducted in the case, there is no way to know for sure whether the Kirbys obeyed all the statutory demands of § 304(c). Therefore, in order to focus on deeper legal implications, this article continues on the assumption that all facts alleged in the complaint are accurate.

In the complaint, the Kirby estate claims that Mr. Kirby created the works at his own expense and not as works for hire.⁵⁶ While the reply of the defendant is not currently available, it is likely that Marvel will contend that Mr. Kirby produced the works in the stead of his employment with Marvel. Barring some clear-cut evidence to the contrary, it is unlikely that the court will side with the defendant on this issue. Given the widely recognized state of the industry at the time of the creation of the Kirby Works, it is likely that Marvel's predecessors purchased the works from Kirby on a consignment basis.⁵⁷

After finding that the works were produced as freelance works subject to termination, the court will then have to move on to the effect of the 1972 assignment of the copyrights from Mr. Kirby to the publisher.⁵⁸ In this agreement, Mr. Kirby assigned his interest in the copyrights to the publisher for compensation in addition to his original payments

53. 17 U.S.C. § 304(c).

54. U.S. Copyright Office, Works Made For Hire Under the 1976 Copyright Act, <http://www.copyright.gov/circs/circ09.pdf> (last visited Apr. 11, 2010).

55. § 304(c)(6)(C).

56. Complaint at ¶ 23, *Kirby v. Marvel Entm't, Inc.*, Case No. 10-00289-CJC-AN (C.D. Cal. filed Mar. 9, 2010).

57. See *supra* note 5. Which cite in note 5 is this referring to? Provide author name plus pincite. *Supra* should not be used for cases, per R.4.2. This refers to note 5 as a whole, not any particular cite therein. Maybe it can refer to the page of text, not the cite?

58. *Kirby*, Case No. 10-00289-CJC-AN at ¶ 24.

from Marvel. The court should not have a problem in holding that this assignment has no effect on the plaintiff's ability to exercise the termination right of the original copyright, as under § 304(c)(5) of the 1976 Act, regardless of any prior agreement to the contrary an author may effect termination of an original copyright.⁵⁹ Assuming that the Kirbys have complied with all statutory demands contained within § 304, as they allege, the court must then deal with the effect of the terminations.

The effect of the Kirby terminations will be significantly tempered by the derivative works provision of the 1976 Act and by the relevant aspects of trademark law. In their prayer for relief, plaintiffs essentially ask the court to include any profits made by the defendant from exploitation of any *new* derivative work, either domestically or overseas, if the overseas profits result from the "predicate exercise *in the United States* of any right under the copyright[s]."⁶⁰ The plaintiffs, as they must, concede that they do not possess a right to monies gained from the exploitation of derivative works created before the exercise of the termination.⁶¹ Therefore, the value of the termination will turn in part on how liberally the court decides to apply the derivative works exception.⁶²

As recognized earlier, comic book characters inherently evolve from issue to issue. As an example, it stands to reason that the Wolverine of *The Incredible Hulk #181* is a far different animal than the Wolverine of *X-Men Origins: Wolverine*.⁶³ With each incarnation, Marvel could potentially argue that the Wolverine of Mr. Kirby's creation no longer exists. The current manifestation of the character, the argument goes, is a derivative work that the publisher itself created and may continue to exploit on its own.⁶⁴ Although not controlling, when considered in connection with the *Siegel* case, it seems likely that the court would limit the recovered copyright to those elements apparent in the

initial personification of the characters.⁶⁵ While it is unlikely that the court would count the entire catalogue of characters as new and unique derivative creations, the extent of the reclaimed copyright will likely be significantly narrowed as a result of the court's findings.

Additionally, using *Siegel* as a barometer, it is likely that the court will limit the plaintiffs' right to those profits realized solely from the domestic exploitation of the joint copyright.⁶⁶ This significantly weakens the value of the reclaimed copyright, as a considerable portion of the value derives from the international film market.⁶⁷ Although plaintiffs limit their request to overseas profits predicated on the exercise of the copyright in the United States, given the clear language of the 1976 Act this may be murky territory that the court decides to avoid.⁶⁸

In addition to devaluation due to copyright provisions, the applicable aspects of trademark law might further devalue any recognition of termination by the court.⁶⁹ In the decades since characters such as the X-Men or The Incredible Hulk burst onto the scene, their appearances and related identifying characteristics have become synonymous with the Marvel brand. Further, these characters are extremely unique and for the most part are in constant use, so the concepts of genericide and loss through inactivity are not an issue. Therefore, despite the termination by the Kirby estate, the plaintiffs would be unable to produce works featuring the distinct elements of the characters without running afoul of Marvel's trademark rights.⁷⁰ This reduces the alienability of the newly-reclaimed rights, as well as places the Kirbys at a disadvantage should they decide to renegotiate terms with Marvel.

All of this leads to the conclusion that even though the court will likely find that the Kirby heirs have properly asserted their termination right on the original copyrights, the value of those rights are significantly reduced. Simply looking at the derivative rights exception, the reclamation will likely be limited to only those characteristics of the superheroes present

59. See also *Siegel v. Warner Bros. Entm't, Inc.*, 542 F. Supp. 2d 1098 (C.D. Cal. 2008); *Marvel Characters, Inc. v. Simon*, 310 F.3d 280 (2d Cir. 2002).

60. *Kirby*, Case No. 10-00289-CJC-AN at ¶ 66.

61. § 304(c)(6)(A).

62. See Chandra, *supra* note 5, at 278.

63. *The Incredible Hulk #181* marks the first appearance of the character of Wolverine as a mutant agent of the Canadian government. The most recent incarnation of the character in the film *X-Men Origins: Wolverine* presents Wolverine as a Canadian-born mutant, who leaves Canada and comes to the United States, joining the American military.

64. See Chandra, *supra* note 5, at 282-83.

65. See *supra* note 5.

66. See *supra* notes 35-38.

67. See, e.g., Box Office Mojo, X-Men Origins: Wolverine, <http://www.boxofficemojo.com/movies/?id=wolverine.htm> (last visited Apr. 10, 2010) (noting that the movie *X-Men Origins: Wolverine* made \$179,883,157 domestically and \$193,179,412 internationally for a total worldwide box office of \$373,062,569).

68. § 304(c)(6)(E).

69. See *supra* notes 40-51.

70. See Chandra, *supra* note 5, at 274-75.

in the original works. Given the nature of comic book storytelling, these original creations are far different from the heroes that grace present-day movie screens, comic book pages, and videogames. It remains a possibility that Marvel will argue, successfully, that the relinquished copyrights are no longer as lucrative as they once were, thus reducing the amount that Marvel will be responsible for in accounting to the Kirby estate. The copyright is further devalued when rights to international profits are denied, as will likely be the case.

When factoring in the additional constraints trademark law places upon the usefulness of the recaptured copyright, it appears as though the Kirby estate is left with only two viable options: either relicense the copyrights back to Marvel from a disadvantaged bargaining position, or pump more money into litigating the precise terms of the accounting between the parties. Given that Disney now owns Marvel, in the likely event that the court recognizes an effective termination of copyright it would behoove the Kirbys to pursue the former option with their corporate opposition. Given the decreased bargaining strength that accompanies only being able to negotiate with one corporate party, it is unlikely that the Kirbys will reap the rewards they might have without the interference of trademark law.

In 1958, Jack Kirby had no idea that his creations would spawn a multibillion-dollar worldwide industry. Congress enacted § 304(c) of the 1976 Act in order to give authors, such as Mr. Kirby, the opportunity to reap the benefits of the continued success of their work.⁷¹ In the context of the comic book industry, however, the competing interests of trademark law significantly frustrate this goal. Rather than place the author in an advanced bargaining position, trademark law essentially eliminates the alienability of the reclaimed copyright. This forces the author, or his heirs, to simply renegotiate terms with the publisher from a position of disadvantaged bargaining power. This frustrates the intent of Congress in passing the 1976 Act.

V. Conclusion

The battle of author versus publisher lacks the stark dualism apparent in the pages of comic books, in that its parties may not be easily classified as right and wrong, benevolent and parsimonious, or good and evil. While an author, or in many cases their estate, has an undeniable interest in the success of their creations, a publisher likewise possesses an interest in profiting

from its investments. Either way, it is clear that when trademark law interferes with an author's reclaimed copyright, it undermines the intent of Congress and undercuts the author's ability to rightfully claim the fruits of his hard work. Given the increasingly lucrative nature of comic book-based branded entertainment, Congress must revisit both trademark and copyright law in order to ensure that the forefathers of the comic book industry are properly recognized for their work.

71. See *supra* note 18.

Policing the Information Super Highway: Customs' Role in Digital Piracy

By Andrew Haberman

I. Introduction

As the role of web technology and instant viral communication has permeated almost all sectors of commerce and consumer daily life, some great advantages have been dealt throughout the international marketplace.¹ While the Internet's economic necessity is evident in a business's ability to reach consumers and increase the efficiency of workflow, the duality of this new tool is evident in the problems of security and piracy. The profound effect on individual consumers is clear when one considers the role of purchase power online. Whereas in earlier decades consumers might have been limited by location, availability and ability to price out all of their options or opportunities to find what they want, the Internet has completely decimated this information and logistical economic block. Today anyone can look virtually anywhere to find virtually anything on the virtual marketplace of the web, shifting the economic power from the sellers to the masses. This shift is exacerbated by the increased competition that pirated goods play in this new unregulated market. As the world has entered the digital age, so too have pirates, and this poses a major obstacle to companies who build their business model around intellectual property. The prevalent availability of infringing goods, simplicity of acquiring these goods, and shroud of anonymity provided by the Internet to the seller makes the Internet a major obstacle for businesses in the digital age. This infringing material can come from anywhere in the world, and there is no easy solution to this ubiquitous and expanding problem.



In order to stem the growth of Internet piracy, the United States must begin to protect its citizens and businesses from pirated material, commencing with the Department of Homeland Security's Bureau of Customs and Border Protection ("CBP") and Immigration and Customs Enforcement ("ICE") taking a larger role in policing this offence at the United States' cyber borders.² This paper will argue that Customs must begin to work with internet service providers ("ISPs") in order to police digitally transferred pirated copyrighted goods. First, Part II will present a brief overview of how the

Internet, copyright rights, and Customs' authority currently function. Next, Part III will argue that Customs has the statutory power to police the United States' "e-borders," that expanding Customs' role will be easier than having the judiciary resolve such disputes, and that allowing Customs to monitor cyberspace will achieve harmony with multinational and national efforts being made to stop digital piracy worldwide. Finally, Part IV will conclude that in an age of ever-evolving piracy, a combination of Customs enforcement and encryption technologies will enable the United States to battle pirates on what is and will continue to be a major source of intellectual property infringement.

II. Background

The Growth of the Internet and Piracy

On any given day, more than 1.8 billion people around the world use the Internet.³ With the declining

1. See BUS. SOFTWARE ALLIANCE, SOFTWARE PIRACY ON THE INTERNET: A THREAT TO YOUR SECURITY (2009), available at <http://global.bsa.org/internetreport2009/2009internetpiracyreport.pdf> (asserting that software and computers have become "indispensable tools in our businesses, school and personal lives").

2. See Tom Spring, *Surfing With U.S. Customs*, CNN.COM, Oct. 20, 1999, <http://www.cnn.com/TECH/computing/9910/20/us.customs.idg/> (reporting that Customs' CyberSmuggling Center had only \$2 million, or .14%, of Customs' \$1.7 billion budget in 2000); See generally Andreas Manolopoulos, *Raising 'Cyber Borders': The Interaction Between Law and Technology*, 11 INT'L J. OF L. & INFO. TECH. 40-53 (2003).

3. See INTERNET WORLD STATS, INTERNET WORLD STATS: US-AGE AND POPULATION STATISTICS, available at <http://www.internet>

cost of computer technology and the expansive nature of its use, the Internet is rapidly growing. However, a large portion of this growth is occurring in countries with rampant piracy.⁴ In fact, much of this growth has come in countries currently on the United States' Special 301 Watch List, indicating that these countries have done an insufficient job protecting intellectual property rights.⁵ Although the Special 301 reports are not directly linked to Internet piracy specifically, there are indications that countries with expanding Internet use are significantly contributing to the growth of Internet piracy.⁶

The Internet, as it stands today, is an end-user driven technology: there are few "control points" where a private or governmental organization can monitor what material is being placed on the Internet.⁷ However, ISP's, which allow users to access the Internet, do have the capabilities of viewing, monitoring, and even revoking a user's Internet access.⁸ Since the Internet is an end-user driven technology, any user is free to create a website, whether for legal or illegal purposes.⁹ While this has revolutionized the process by which legitimate goods and services are distributed throughout the world, it also allows any user to create a site to distribute or sell counterfeit goods. This has

worldstats.com/stats.htm.

4. See BUS. SOFTWARE ALLIANCE, *SIXTH ANNUAL BSA-IDC GLOBAL SOFTWARE 08 PIRACY STUDY* (2009), available at <http://images.autodesk.com/adsk/files/globalpiracy2008.pdf>; Internet World Stats, *supra* note 3 (reporting user growth of 399% worldwide since 2000, with growth rates as large as 1,675.1% in the Middle East.)

5. Compare OFFICE OF U.S. TRADE REPRESENTATIVE, 2009 SPECIAL 301 REPORT (Apr. 20, 2009) (listing, among others China, Russia, Indonesia, Chile, and Pakistan on the Priority Watch List) with Internet World Stats, *supra* note 3 (calculating user growth at between 568% and 934% in the past decade for countries in the same regions).

6. See BUS. SOFTWARE ALLIANCE, *supra* note 4 (despite the drop in the rate of PC software piracy in 52% of the 110 countries studied, global piracy has increased, indicating that piracy is growing so quickly in some countries as to negate the progress made worldwide).

7. See Dan. L. Burk, *The Market for Digital Piracy in BORDERS IN CYBERSPACE: INFORMATION POLICY AND THE GLOBAL INFORMATION INFRASTRUCTURE*, 205-34 at 206-07 (Brian Kahin & Charles Nesson eds., MIT Press 1999) (describing how users communicate through digital data packet switching on the Internet and control their inputs).

8. Matt Jackson, *Providing Safe Harbors for Speech: Internet Service Providers and Copyright Law in INTELLECTUAL PROPERTY AND INFORMATION WEALTH: ISSUES AND PRACTICES IN THE DIGITAL AGE*, 307-320, at 307 (Peer K. Yu ed., Praeger 2007) ("[ISPs] are the intermediaries that connect users to the Internet, allowing individuals to communicate.").

9. See BURK, *supra* note 7 (describing the freedom users have on the Internet).

given rise to an infinite number of "businesses" who use the web as both a communications tool and a global marketplace for goods, in what is called e-commerce. Illegal "e-businesses" range from sites providing for the digital transfer of music and media to those allowing the purchase of blatantly counterfeit goods, such as copyrighted films on DVD. This widespread reality has also affected consumers who are unaware of where their funds go when they unintentionally purchase counterfeit goods over the Internet.

Piracy over the Internet occurs primarily in two forms. First, tangible goods are purchased over the Internet with electronically transferred funds, and then the goods are shipped to the consumer.¹⁰ These goods range from illegal copies of goods protected by copyright (like movies or CDs) to pharmaceuticals which infringe American patents (like generic forms of Viagra). Second, an infringing good may be transferred digitally over the Internet through "digital piracy." There is no question that CBP may assert its authority over counterfeit goods shipped into the United States, regardless of how these goods were purchased, but the second type of Internet piracy raises many more legal concerns.¹¹ Since the vast majority of patented and trademarked goods are physical and cannot be digitally transferred, digital piracy primarily concerns copyrights.¹² As such, the primary industries affected by strictly digital piracy are the entertainment and software industries.

The Rights of Copyright Holders

Since copyrights comprise the majority of the intellectual property illegally transferred over the Internet in digital piracy, it is important to understand the rights that copyright holders are afforded when they produce a work. First, in order to be afforded these rights, an author must create a work that is

10. See Brooks Barnes, *Fox Files More Suits Claiming DVD Piracy*, N.Y. Times (Feb. 4, 2010) available at <http://mediadecoder.blogs.nytimes.com/2010/02/04/fox-files-more-suits-against-alleged-dvd-pirates/> (filing suits against individuals selling pirated DVDs on auction sites); CpTech.org, *Priority Watch Country: Jordan*, available at <http://www.cptech.org/ip/health/phrma/301-99/jordan.html> (reporting Jordan's involvement in pirating pharmaceuticals).

11. See 17 U.S.C. §603(c) (2006) (giving Customs authority to seize piratical or possibly piratical copies).

12. *But see Bilski v. Kappos*, 561 U.S. 1, 3 (2010) (slip op.) (holding business methods patentable, and thus, increasing the amount of electronically transferable patents); see also DEBORA J. HALBERT, *INTELLECTUAL PROPERTY IN THE INFORMATION AGE: THE POLITICS OF EXPANDING OWNERSHIP RIGHT*, at 51-56 (Quorum Books 1999) (documenting the classification of programs as creative works).

capable of being copyrighted.¹³ This requirement is not very stringent and merely requires that the author has produced a work with a modicum of creativity that is fixed in some medium.¹⁴ In digital context, this “fixation” requirement becomes a source of debate, but in the United States, digital files have been determined to be a fixation.¹⁵ If an author creates a copyrightable work, the Copyright Act identifies the six exclusive rights of the creator as the rights to: reproduce, adapt, distribute, publicly display, and publicly perform a copyrighted work, along with, in the case of sound recordings, the right to perform the digital transmission publicly.¹⁶ Further, the Digital Millennium Copyright Act ensures the “protection of copyright owners against the unauthorized access to their encrypted copyrighted works.”¹⁷ This makes the use of “circumvention devices” illegal.¹⁸ Thus if anyone copies, adapts, distributes, displays, or performs a copyrighted work without a license to do so, they are guilty of copyright infringement and the copyright owner maintains the right to prosecute these offenses. For their part, ISPs have been given limited liability for any infringement occurring on their servers since they are not actually violating these rights.¹⁹

Industries built around copyright protection, such as the entertainment industry, are able to subsist because the authors of works control the aforementioned exclusive rights to their works. Copyrights are granted in order to reward authors for the hard work they have put into their work, whether they have put months of

research and writing into publishing a book or millions of dollars into creating a new type of animation for filmmaking. Without these protections, anyone who so desired would be able to watch a copyrighted movie for free on the Internet, and the incentive to innovate, or even to produce works would be significantly decreased.²⁰ Movies like “Avatar”, which employ cutting edge technology never before seen on a movie screen, would no longer be created, and the general public will suffer as a whole.²¹ The movie, music, and software industries base their business models on copyright protections, and if these protections are not effectively enforced, the incentive to innovate is lost.

Customs’ Authority

The Department of Homeland Security’s Bureaus of Customs and Border Patrol (“CBP”) and Immigration and Customs Enforcement (“ICE”) protect against the importation of goods infringing intellectual property rights.²² However, Customs faces a unique task in protecting copyrighted works, as these works are no longer required to be registered under the Berne Convention.²³ To combat this problem, Customs allows copyright holders to record their copyrights with Customs, which assists them in protecting the owner’s intellectual property. Under their enforcement authority, Customs may seize any “clearly piratical works” or works that are “substantially similar” to a copyrighted work.²⁴ Customs will generally make decisions regarding the legality of an imported work independently, but if the Customs Office, the IPR

13. See *Feist Publications, Inc., v. Rural Telephone Service Co.*, 499 U.S. 340, 345 (1991) (allowing a copyright if the author showed some creativity, regardless of other works already granted copyrights).

14. See 17 U.S.C.A § 101 (2006) (“[a] work is ‘fixed’ in a tangible medium of expression when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration.”).

15. See Tyler T. Ochoa, *Copyright, Derivative Works And Fixation: is Galoob A Mirage, or Does The Form(gen) of the Alleged Derivative Work Matter?*, 20 SANTA CLARA COMP. & HIGH TECH. L.J. 991 (2003-04).

16. 17 U.S.C. §106 (2006).

17. Pub. L. 105-304, Stat. 2860 §5(C) (1998) (codified in scattered sections of 17 U.S.C. at §1201).

18. See *id.*

19. See *MGM Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 927-28 (2005) (an intermediary cannot be held liable unless they knowingly contribute to infringement); see also Jackson, *supra* note 8 (noting that ISPs do not commit the infringement, but instead their users do, thus, if anything ISPs could be charged as secondarily liable).

20. See HALBERT, *supra* note 13, at 26-27 (noting that the National Writers Guild identified Internet piracy as a problem that “must be dealt with before is safe for intellectual property”); Peter Sciretta, *The most Pirated Movies of 2009 and Avatar: The Making of Bootleg*, SLASHFILM, Dec. 27, 2009, <http://www.slashfilm.com/2009/12/27/the-most-pirated-movies-of-2009-and-avatar-the-making-of-the-bootleg/> (citing ChartsBin, Top 10 Most Pirated Movies of 2009, Jan. 2010, <http://chartsbin.com/view/3w3>) (showing highly pirated movies to be downloaded tens of thousands of times).

21. Michael Cieply, *A Movie’s Budget Pops From the Screen*, N.Y. TIMES, Nov. 9, 2009 available at <http://www.nytimes.com/2009/11/09/business/media/09avatar.html> (questioning whether Avatar was capable of making back its money in the current entertainment environment).

22. See, e.g., 17 U.S.C. § 602-03 (2006) (copyright law) (providing statutory authority for CBP and ICE to protect copyrighted works from infringing imported works).

23. Berne Convention for the Protection of Literary and Artistic Works, 828 U.N.T.S. 221, §14 (1977).

24. See 18 U.S.C. § 1595 (a)-(b) (seizure authority for violations of 17 U.S.C. § 602(b) (copyright statute)).

Branch, or the courts issue a ruling, Customs must abide by the decision.²⁵ In addition to the statutory language, Customs is guided by the Copyright Directive, which is used as a step-by-step guide by customs lawyers to enforce copyrights at the borders.²⁶

By its own policy, Customs must follow a specific set of steps upon making a determination of copyright infringement.²⁷ First, Customs notifies the importer of the alleged infringement if they decide to detain an import. If the importer files a timely denial, Customs will then notify the copyright owner, and if the copyright owner files a written request asking for the materials to remain detained, the importer is afforded an opportunity to submit a brief on his or her behalf.²⁸ While Customs protects the U.S. from infringing works at the borders, ICE has statutory authority to commence criminal investigations for infractions of Title 18 criminal intellectual property infringement.²⁹ ICE may initiate a criminal investigation if they have probable cause to believe that a crime involving copyrights, such as willful infringement, has been committed under Section 2319. ICE works with the FBI, National IPR Center and the DOJ to prosecute criminal individuals or organizations “responsible for producing, smuggling, and distributing counterfeit products.”³⁰

III. Analysis

Although there are not statistics on the precise amount of losses as a result of digital piracy, it is clear that piracy has had an enormous effect on industries built around copyright protection.³¹ The Business

Software Alliance estimates that the software industry experienced \$53 billion in losses worldwide in 2008, but this is not strictly limited to digital transfer.³² Similarly, the recording industries have also experienced a flood of digital piracy and have engaged in a myriad of tactics to try to stop the piracy. First, the recording industry began suing end users who allegedly stole music.³³ However, this plan proved expensive, ineffective, and generally unhelpful. Instead the recording industry, represented by the Recording Industry Association of America (“RIAA”), has been attempting to negotiate with ISPs in order to find a more effective solution to halting digital piracy.³⁴ The RIAA has furthered these efforts by requesting subpoenas under the Digital Millennium Copyright Act (“DMCA”) in a bid to seek out consumers suspected of using peer-to-peer file sharing technology for alleged copyright infringement.³⁵

Private negotiations between the recording industry and the ISPs will most likely prove ineffective without government involvement. However, a solution involving Customs might be able to curb the problem by preventing infringing files from entering the United States, and importantly, there is no limiting statutory language to prevent Customs from getting involved. Customs involvement will also avoid the problems that copyright owners face in civil lawsuits and provide an impartial arbiter to ISP infringement determinations.

A. Customs Has the Authority to Seize Illegal Digital Transfers Entering the United States

Customs regulations define infringing copies as “piratical articles, i.e., copies or phonorecords which are unlawfully made (without authorization of the copyright owner)” and importation of these copies is prohibited.³⁶ There is nothing in these rules limiting a copy to a physical copy, and further, there is nothing limiting importation to a physical import. As stated in *Caminetti v. United States*, “[i]t is elementary that the meaning of a statute must, in the first instance, be sought in the language in which the act is framed, and if that is

25. See TIMOTHY P. TRAINER & VICKI E. ALLUMS, *PROTECTING INTELLECTUAL PROPERTY RIGHTS ACROSS BORDERS* (ed. 2009) 448 (West 2009) (although there is no set analysis, Customs employs a quasi-judicial analysis in making infringement decisions).

26. See *id.* at 309-28 (supplying the text of the directive).

27. 19 C.F.R. 133.43 (2009); See *generally id.* at §133.43(b) (listing the information that must be disclosed in each step of this process).

28. See *id.* at §133.43(d).

29. See 18 U.S.C. §2319 (2006). See *also id.* §2318 (trademarks).

30. See <http://www.ice.gov/pi/cornerstone/ipr/index.htm>. While ICE's authority extends beyond the Internet, the National IPR focuses explicitly on Internet crimes and instead focuses on crimes with an international nexus, unlike the FBI. Due to the growth of cyber crime and Internet piracy, the DOJ has created the Computer Crime and Intellectual Property Section (“CCIPS”) to handle the prosecution of these type of crimes. Thus, it is extremely important for these agencies to work together and share information while prosecuting cyber crime.

31. See Spring, *supra* note 2 (estimating that U.S. business lose \$10 billion per year to computer related crime); HALBERT *supra*, note 16 at 83 (Documenting the \$1 billion sanction place on China in 1995 for failure to protect products ranging from *Disney's Lion King* to Microsoft's computer programs).

32. See BUS. SOFTWARE ALLIANCE, *supra* note 1 (reporting from a study on 110 countries).

33. See Sara McBride & Ethan Smith, *Music Industry to Abandon Mass Suits*, WALL STREET JOURNAL, Dec. 19, 2008 available at <http://online.wsj.com/article/SB122966038836021137.html>.

34. See *id.*

35. See, e.g. *RIAA v. Verizon Internet Services, Inc.* 351 F.3d 1229 (D.C. Cir. 2003).

36. 19 C.F.R. §133.41(a), (b).

plain... the sole function of the courts is to enforce it according to its terms.”³⁷ Since the natural meaning of “import” is “to bring from a foreign or external source”, there is no reason to exclude digital transfers across cyber borders.³⁸ Similarly, the maxim *noscitur a sociis* requires that when a word is ambiguous, its meaning be determined by reference to the rest of the statute.³⁹ In this case, the word “copies” is as unknown, as the word “import,” when the statute is read without reference to other documents. Since the courts have determined that a pirated song in a digital format can be an infringing copy, it should follow that importing an infringing digital file should qualify as an infringement.⁴⁰

Although Customs is already spread thin in its efforts to enforce intellectual property rights and protect American borders, Customs should be able to utilize ISPs to ease the load. ISPs are capable of monitoring the Internet for infringing conduct and have been able to do so in the past.⁴¹ Further, other countries have successfully implemented e-borders monitors for certain material, and although this may be simpler than patrolling for any infringing material, it proves that monitoring in some capacity is certainly possible.⁴² For example, France has worked with ISPs to prevent French Internet surfers from accessing Nazi memorabilia on Yahoo!’s auction site, while China has been censoring the results of Google searches for Chinese users.⁴³ ISP monitoring

37. 242 U.S. 470 (1917).

38. “Import.” *Merriam-Webster Online Dictionary*. MERRIAM-WEBSTER ONLINE, Mar. 23, 2010, <http://www.merriam-webster.com/dictionary/import>.

39. *Arecki v. G. D. Searle & Co.*, 367 U.S. 303, 307 (1961) (implementing *noscitur a sociis*, which literally means “[the] word is known by the company it keeps”).

40. *See, e.g., A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896 (N.D. Cal. 2000), *aff’d in part, rev’d in part*, 239 F.3d 1004 (9th Cir. 2001) (holding Napster liable for distributing digital copies of songs); *see also* Robert C. Piasentin, *Unlawful? Innovative? Unstoppable?: A Comparative Analysis of the Potential Legal Liability Facing P2P End-Users in the United States, United Kingdom, and Canada*, 14 Int’l J. L. & Info. Tech. 95 (2006).

41. *See* Martin CHARLES GLOUMBIC, *FIGHTING TERROR ONLINE: THE CONVERGENCE OF SECURITY, TECHNOLOGY, AND THE LAW*, at 148-149 (Springer 2008) (documenting monitoring software such as Echelon and sniffers like the Carnivore program which utilizes ISPs to monitor Internet activity for specific information it is programmed to look for).

42. *See id.* at 4-5 (pointing out the difference in a user’s Internet experience in France, Korea, Italy and China).

43. *See LICRA v. Yahoo! Inc.* (County Court, Paris, Nov. 20, 2000, *available at* <http://www.lapres.net/yahen11.html> (prohibiting the sale of Nazi memorabilia on Yahoo!’s website in France); THE OFFICIAL GOOGLE BLOG, *A New Approach to China: Update*, March 22, 2010, <http://googleblog.blogspot.com/2010/03/new-approach-to-china-update.html> (announcing that Google removed

can be supplemented by ICE investigations and will not only work to discourage digital piracy, but should also curb piracy in tangible goods by supplying ICE with tangible leads to piratical organizations.⁴⁴ Since the world is moving digital, this will finally allow customs to move ahead of pirates who employ sophisticated hacking techniques.

It is important to note that although a CBP monitoring system will be essential to preventing digitally pirated goods from entering the United States, additional ICE action will be crucial in enforcing intellectual property rights. Almost seventy-five percent of the pirated goods shipped into the United States as a result of an Internet transaction come from auction sites.⁴⁵ Auction sites attempt to implement monitoring systems, but it is very hard to determine which goods are infringing.⁴⁶ Even Customs’ monitoring will be unable to detect when infringing products are sold while being advertised as legitimate, showing the need for traditional CBP and ICE border measures and investigations, respectively, to prevent infringing physical goods from entering the United States.

In order to truly comprehend the value of Customs’ role in preventing digital piracy, it is also critical to examine the proposed monitoring system’s limitations. Two readily apparent limitations of such a plan are: (1) end-user’s privacy concerns could limit the scope of monitoring; and (2) new pirating methods could render this enforcement method useless. Implementation of a monitoring system will require a careful balancing of privacy and copyright owners’ rights, but there are some examples that can be looked to in achieving this balance.

For example, the courts have ruled that the FBI Carnivore program, which monitors web activity, is constitutional, and this logic could similarly be

monitors in response to cyber attack suspected to have originated from the Chinese government).

44. *See, e.g., Joseph W. Cormier et. al., Intellectual Property Crimes*, 46 AM. CRIM. L. REV. 761 (2009) (noting that together Customs, the DOJ and the FBI, through the “Joint Piracy Initiative” and operations such as “Site Down” and “D-Elite” have already began cracking down on Internet piracy of copyrighted goods).

45. *See* INTERNET CRIME COMPLAINT CTR., 2009 INTERNET CRIME REPORT (Mar. 12, 2010) *available at* http://www.ic3.gov/media/annualreport/2009_IC3Report.pdf. (336,655 complaints and \$559.7 million lost to internet crime in 2009).

46. *See* EBAY, THE VERIFIED RIGHTS OWNER PROGRAM (VERO), http://pages.ebay.com/tradingassistants/TA_Education_VERO.pdf (describing eBay’s policy to remove infringing material).

applied to an ISP monitoring systems for Customs.⁴⁷ Although national security is of a higher social value than protecting the record and software industry, these industries are essential to the American economy and have become a major concern in American foreign policy.⁴⁸ Further, one can assume that if Customs starts to monitor e-borders, pirates will likely either find ways to circumvent this system or attempt new methods of piracy. For example, pirates could just pre-load iPods with thousands of pirated songs and movies, enter the United States, and distribute pirated materials this way.⁴⁹ Since this proposed system would not be able to combat piracy within the United States, physical transport of files into the United States would be able to circumvent the monitoring system. However, with the majority of piracy occurring in developing countries, this would be a step in the right direction towards preventing massive future piracy.⁵⁰ Monitoring ISPs for digital piracy would, at the least, begin to bring enforcement measures up to speed with the measures implemented by pirates and begin to solve the rampant problem of digital piracy.

The RIAA and Business Software Alliance (“BSA”) both support a monitoring system that uses ISPs as a control point, but they both realize that this cannot be accomplished privately without eroding end-users rights.⁵¹ Thus, Customs’ involvement will give end-users due process and an impartial arbiter to determine if an end-user has truly infringed a copyright. Furthermore, neither the end-users nor the ISPs need to be punished, as infringing material can simply be seized and destroyed. ICE will be able to follow up and pursue any criminal sanctions while the RIAA pursues civil action, but if the industry can prevent piracy, it is unlikely the RIAA will sue when the rewards do not

justify the costs.

B. Problems With Private and Judicial Solutions

By abandoning the strategy of suing individual copyright infringers and beginning to work with ISPs to monitor the Internet, the recording industry has shown the type of forward thinking that will be required to thwart digital piracy. However, the recording industry seemed to abandon this plan without an effective substitute in place. Copyright holders in all industries, including the recording industry, have attempted to slow piracy through Digital Rights Management (“DRM”) but this technology has been of little obstacle for pirates.⁵² Pirates are not just children sitting at their computers downloading a free song but are instead highly organized groups working to make movies, music, software and other digital files available for free on the Internet.⁵³ Pirates have consistently been either one step ahead or capable of circumventing technological safeguards such as DRMs and have left industries reliant on copyright protection grasping for answers.⁵⁴

One possible answer is a private agreement which monitors end-user Internet activity and allows the record company to unilaterally shut down Internet service if infringement occurs. However, any such program will still require an accompanying civil lawsuit and will likely violate the constitutional freedoms of speech and privacy, especially without an impartial decision maker to determine when a user has acted illegally.⁵⁵ Second, it will be questionable if American courts can even establish jurisdiction, and if they can,

47. See STEPHEN A. SALTZBURG & DANIEL J. CAPRA, *AMERICAN CIVIL PROCEDURE: CASES AND COMMENTARY*, 52 (8th ed., Thompson West 2007) (1980) (noting that in “full collection” mode the Carnivore system violates the Fourth Amendment, but in “pen collection” mode, which can monitor file transfer, the system is constitutional under the USA Patriot Act).

48. See *id.* (noting that the Patriot Act was passed in response to September 11th). But see *Transcript, Barack Obama’s Inaugural Address*, N.Y. TIMES, Jan. 20, 2009, available at: <http://www.nytimes.com/2009/01/20/us/politics/20text-obama.html> (showing the importance of science as President Obama stated, “We will restore science to its rightful place.”).

49. See EConsultancy, *Internet Statistics Compendium 2010* (Feb. 2010), available at <http://econsultancy.com/reports/internet-statistics-compendium> (reporting that 38% of Gen Y users have an iPhone or iPod touch).

50. See *supra* notes 7-9, and accompanying text.

51. See, e.g., BUS. SOFTWARE ALLIANCE, *supra* note 1 at 19 (BSA opposes termination of ISP services without due process).

52. See, e.g., GOLUMBIC, *supra* note 34 at 78-79 (citing *Junger v. Daley*, United States Secretary of Commerce 209 F.3d 481 (6th Cir. 2000)) (demonstrating the failure of DRMs by pointing out that a Norwegian teenager was able to write a program that rendered the film industry’s investment in a DRM, known as “Contents Scramble System,” ineffective).

53. See *Where’s The Beef?*, *A Guide to Internet Piracy*, 2006 Hacker Quarterly Summer 2004, available at http://web.archive.org/web/20070512002747/old.wheresthebeef.co.uk/show.php/guide/2600_Guide_to_Internet_Piracy-TYDJ.txt (describing the intricate ranking and distribution employed for piracy).

54. Wired.com, *The Shadow Internet*, http://www.wired.com/wired/archive/13.01/topsite_pr.html; Michael Warnecke, *To Rid Wed of Counterfeit Goods, Rights Holders Turn to Multi-Prong Attack*, 72 PATENT, TRADEMARK & COPYRIGHT J. (BNA)31 (May 2006) (documenting the failed attempts of police to stop digital piracy).

55. See Henry H. Perritt, Jr., *Jurisdiction in Cyberspace in BORDERS IN CYBERSPACE: INFORMATION POLICY AND THE GLOBAL INFORMATION INFRASTRUCTURE*, 164-202 at 167-78 (Brian Kahin & Charles Nesson eds., MIT Press 1999) (discussing the problems with traditional jurisdiction over digital piracy and suggesting the use of a “Virtual Arbiter”).

the courts must determine which law to apply for cases involving foreign infringement.⁵⁶ These decisions take time, money, and manpower that is unnecessary. Considering that infringement of American copyrights is occurring worldwide, any private action against foreign infringers will be severely limited. Customs, on the other hand, will not have jurisdictional problems, as Customs has authority over imports and can apply American law to the digital imports identically to how Customs applies the law to physical imports.

First, if an infringer is foreign, it will be extremely hard for the court to assert jurisdiction. When determining jurisdiction in *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, the court was only able to establish jurisdiction under the doctrine of specific jurisdiction, asserting that the defendants' distribution of the infringing software was the 'but for' cause of the alleged infringement.⁵⁷ This jurisdictional determination has been criticized for establishing attenuated jurisdiction, and the court even recognized that viewing an infringing website's content would typically not give rise to specific jurisdiction.⁵⁸ Even if a private agreement between copyright holder and ISPs was finalized, once an infringing use was found, remedy would need to be sought through federal courts, and establishing jurisdiction in each and every case will be a difficult and expensive endeavor. In contrast, Customs should not have any problems establishing jurisdiction as it has enforcement power over imported items.

Second, the adjudicating court must determine which law to apply to the case at hand. The Berne Convention requires national treatment, which requires the court to afford the same protection to foreign copyright holders as they would afford to national authors.⁵⁹ Further, article 5.2 of the Berne Convention calls for the adjudicating court to apply the law of

the member country where protection is claimed.⁶⁰ However, this convention was crafted when copies were created successively, one country at a time, in tangible copies, not when infringement was occurring over the Internet. Internet piracy allows copies to be made in many countries simultaneously, and article 5.2 would require the court to apply the laws of every country in which a copy was made.⁶¹ This is not only difficult, but time consuming, costly and extremely confusing. In contrast, Customs has designated regulations and generally follows the ruling of the American courts when determining if an import is infringing.⁶²

Finally, if copyright holding industries and ISPs enter into a private agreement, without government assistance, any enforcement actions taken will be made without affording the infringer due process and will not allow users to defend themselves. Customs currently implements a notice system which affords the infringer an opportunity to fight the decision. Further, Customs decisions are made by impartial lawyers who have experience determining whether a good is infringing. If ISPs were to make unilateral decisions to shut off Internet services based on infringing activity, Internet users could be improperly banned from access. This is especially important considering fair use. The careful balance between copyright owners' rights and fair uses must be respected, and this balance will not be struck if independent determinations of infringement are excluded from ISP service decisions. The law is ever-evolving, especially with regards to copyright in cyberspace, so it is important to have a responsive agency or law making body, such as Customs, involved in infringement determinations in order to properly reflect any changes in the law.

C. Current Efforts

Around the globe there have been some efforts to include ISPs and to begin to monitor Internet activity. On the international level, the Anti-Counterfeiting Trade Agreement ("ACTA") negotiations have been ongoing and are a major source of debate.⁶³ However,

56. See generally Computer Science and Telecommunications Board for the National Research Council, *The Digital Dilemma: Intellectual Property In the Information Age* at 54-61 (analyzing the complexities involved in adjudicating copyright disputes with respect to multiple national laws).

57. 243 F. Supp.2d 1073, 1085 (C.D. Cal 2003) ("[the] second prong of jurisdictional analysis is met if, but for the contacts between the defendant and the forum state, the cause of action would not have arisen").

58. See *id.* See also Eliza Shardlow Clark, *Online Music Sharing in a Global Economy: The U.S. Effort to Command (or Survive) The Tidal Wave*, 14 MINN. J. GLOBAL TRADE 141 (Winter, 2004) at 148 (criticizing the court's exercise of jurisdiction for only conducting a cursory analysis).

59. Berne Convention, *supra* note 24 at 5.1.

60. Berne Convention, *supra* at 5.2 (lex loci protectionis).

61. See *id.*; See also Racquel Xalabarder, *Copyright: Choice of Law and Jurisdiction in the Digital Age*, 8 INT'L COMP. L. 79 (2002).

62. See *supra*, notes 31-33 and accompanying text.

63. See *e.g.*, ELECTRONIC FRONTIER FOUND., THE ANTI-COUNTERFEITING TRADE AGREEMENT, available at <http://www.eff.org/issues/acta> (arguing that ACTA will violate Internet users' rights). The ACTA is such a source of controversy that an entire paper could be devoted to this subject alone, but for the purposes of this paper it is important to note that ACTA negotiations have allegedly covered

this agreement has been negotiated in secrecy, so any speculation as to what ACTA will require is based off of alleged leaks, unconfirmed allegations, or brief fact sheets. Additionally, in Europe, the European Council has issued non-binding directives trying to solve the digital piracy problem. Finally, on a national level, many countries have implemented policies to try to combat digital piracy, most notably France's HODAPI law which attempted to enact a three strike policy.⁶⁴

There are theories that ACTA will require a three-strike rule similar to the HODAPI law in France.⁶⁵ However, without government enforcement, any policy adopted in the US will be devoid of due process and thus likely unconstitutional. Further, the United States Trade Representative ("USTR") has stated that one of the goals of ACTA is to "establish enforcement practices that promote strong intellectual property protection in coordination with right holders and trading partners."⁶⁶ The USTR further stated that areas for possible provisions include criminal enforcement, border measures, and Internet distribution and information technology, among others.⁶⁷ Allowing Customs to take an expanded role in Internet enforcement would address all of these areas while promoting strong intellectual property protection in coordination with rights holders as well as trade partners. Further, ACTA will allegedly include some version of a global DMCA which should include terms that require ISPs to "put in place policies to deter unauthorized storage and transmission of IP infringing content."⁶⁸ If these allegations are truly what will be included in the ACTA, then an expanded role for Customs in Internet

enforcement will begin to accomplish these goals and will offer a model of enforcement for countries worldwide.

Next, Europe has taken actions which indicate global support for an increased Customs role in monitoring the e-borders. Although there is no such thing as "European copyright law," the European Council has published directives to guide national lawmaking.⁶⁹ For example, the Enforcement Directive requires member states to apply effective, dissuasive, proportionate, fair and equitable measures, procedures and remedies against those engaged in counterfeiting and piracy, such as ensuring implementation of access to evidence.⁷⁰ Although the E-Commerce Directive prohibits Member States from imposing general obligations to monitor ISPs, it allows Member States to establish obligations where ISPs promptly inform authorities of the identities of recipients of their service with storage agreements.⁷¹ Additionally, the recently approved "Telecoms Package" requires ISPs to comply with the Enforcement Directive.⁷² This contradictory language epitomizes the most controversial issue with monitoring the Internet: balancing privacy and freedom of expression against the rights of copyright owners.

While an expanded Customs role in policing digital piracy might conflict with the E-Commerce Directive, it is in line with the newly approved "Telecoms Package." Under the E-Commerce Directive, Customs would essentially be acting as "the authority" to which violating storage service would be reported to. Although it is not essential that a plan allowing Customs to monitor digital imports align with European Directives, a plan that does so will help ACTA negotiations working to improve global enforcement.

ISP cooperation and the enforcement of intellectual property rights over the Internet.

64. See Nate Anderson, *France passes harsh anti-P2P three-strikes law*, ARSTECHNICA.COM, available at <http://arstechnica.com/tech-policy/news/2009/09/france-passes-harsh-anti-p2p-three-strikes-law-again.ars>.

65. See, e.g., Michael Geist, *The EU ACTA Consultation: European Commission vs. European Parliament*, available at <http://www.michaelgeist.ca/content/view/4894/125/> (fearing a three strike policy in ACTA).

66. OFFICE OF U.S. TRADE REPRESENTATIVE, FACT SHEET: ANTI-COUNTERFEITING TRADE AGREEMENT (Oct. 2007), available at http://www.ustr.gov/sites/default/files/uploads/factsheets/2008/as-set_upload_file760_15084.pdf.

67. See *id.* A concern might be that trading partners begin to rely on the United States to enforce intellectual property rights and relax on enforcement efforts within their own borders.

68. Gwen Hinze, *The Anti-Counterfeiting Trade Agreement*, ELECTRONIC FRONTIER FOUNDATION, available at <http://www.eff.org/deeplinks/2009/11/leaked-acta-internet-provisions-three-strikes-and->

69. See P. Sean Morris, *Pirates of the Internet, at Intellectual Property's End With Torrents and Challenges for Choice of Law* 17 INT'L J. OF L. & INFO. TECH. (2009) (canvassing the European Directives).

70. Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, *Official Journal of the European Union* L 195/16, 2 June, 2004. (aiming to harmonize Member States legislations, so IP owners may enjoy an equivalent level of protection in the European market).

71. Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market ("Directive on electronic commerce"), *Official Journal* C 178, 17.07.2000, p.1. at Article 15.

72. Press Release, *Telecoms Package: EU-Wide Spectrum Management for Full Benefits of Wireless Services*, July 7, 2008, (Telecoms Package was adopted, requiring ISPs to comply with the Enforcement Directive).

Regardless of Customs' compliance with European Directives, the contradictory nature of the European Directives highlights the fact that any solution must carefully consider privacy and due process in addition to copyright owners' rights.

Finally, any plan to allow Customs to take an increased role in thwarting digital piracy can be molded around plans that have been invoked on a national level around the globe. First, in France, the Olivennes Agreement was formed between the film industry, music industry, and ISP's devising a gradual punishment approach.⁷³ This was quickly struck down, but eventually led to a three-strike approach abbreviated in France as HODAPI. HODAPI was also struck down by the courts, in part for failing to afford citizens due process.⁷⁴ The court found that any punishment removing Internet access would require judicial adjudication, not administrative proceedings which assume guilt.⁷⁵ These rulings may seem fatal to any plan in the United States excluding the judiciary, however, Customs' system for evaluating possible infringement is more than just a determination and allows individuals to submit briefs defending their position.⁷⁶ Further, Customs is bound by the law of the courts and enforces the laws of the United States.⁷⁷ As such, Customs should be able to work with ISPs to police digital piracy and by doing so Customs will be in line with the goals of ACTA, in harmony with the current European Directives and can avoid the past problems seen on a national level like those seen in France.

IV. Conclusion

Due to the massive amount of piracy occurring throughout the world, action must be taken in some form to protect copyright owners. The Internet is

growing at an outstanding rate, and every day billions of users worldwide access the Internet. In the United States, the Internet is a vital aspect of everyday life and represents the imminent future of many developing countries. It is time for the United States to finally get ahead of pirates and take enforcement efforts to the Internet while it is still able to do so in a cost-effective and efficient manner. Although Customs will not be able to completely stop digital piracy, it is a start that will give the United States vital experience in dealing with the digital piracy of tomorrow. Involving Customs will avoid the traditional problems seen in federal courts, and seems to be a solution that ACTA and the rest of the world would favor. Pirates will keep coming up with new methods for stealing copyrighted material, so enforcement measures must evolve concurrently. However, the United States cannot wait until pirates reach a plateau; Customs should begin to police digital piracy today.

73. O. DUMONS, «Mission Olivennes: signature de l'accord sur fond de grincements de dents», *Le Monde*, 23 novembre 2007; <http://www.culture.gouv.fr/culture/actualites/index-olivennes231107.htm>. (requiring the ISP to send a warning to a client upon detecting infringing activities, and if the user repeats his crime, the user risks having Internet suspended or shut down by the ISP and his name blacklisted).

74. See Nate Anderson, *French Court Savages "Three-Strikes" Law, Tosses It Out*, ARSTECHNICA.COM, available at <http://arstechnica.com/tech-policy/news/2009/06/french-court-savages-3-strikes-law-tosses-it-out.ars> (reporting that HODAPI passed on second attempt but was tossed out by the courts).

75. *Id.* ("The Council's censure appears to mean that disconnections—a penalty that the industry says is essential—must be treated like court cases, not "you're probably guilty" administrative proceedings.").

76. See *supra* notes 31-33 and accompanying text.

77. See *supra* notes 28-30 and accompanying text.

Copyrights and the Fashion Industry: A Love-Hate Relationship?

By Ashlee Hodge

This piece was originally featured as a column at www.ipbrief.net. Columns explore various intellectual property law issues in a journalistic format, providing a detailed overview of the subject.

Earlier this month, Senator Charles Schumer (a Democrat unsurprisingly from fashion-capital New York) introduced the Innovative Design Protection and Piracy Prevention Act (S. 3728) to the delight of many fashion industry players and the dismay of some fashion industry law and economic theorists and skeptics.

This proposed bill, the newest draft of a plethora of preceding failed bills, has created quite a stir in the fashion industry due to the lack of any copyright law in the American fashion industry to date. While its immediate predecessor, the Design Piracy Protection Act, would have reportedly destroyed up to 90% of design business,¹ the new and improved IDPPPA has successfully pleased two chief organizations in the industry, the AAFA (American Apparel and Footwear Association) and the CFDA (Council of Fashion Designers of America) by increasing the bill's specificity, more narrowly tailoring the scope of protection, and raising the bar for plaintiffs bringing a copyright infringement lawsuit.

For example, under the bill a plaintiff has a three-pronged burden of proof in order for a case to go to trial. First, the plaintiff must prove that their design is “a unique, distinguishable, non-trivial and non-utilitarian variation over prior designs,” and that it is an entirely new concept that had not previously existed. Second,

the plaintiff must show that the defendant's design is “substantially identical,” such that a purchaser could easily mistake the defendant's design for the original. Third, the defendant must have had the opportunity to have seen the original design before the alleged copy was released for distribution.

Furthermore, other stipulations in the IDPPPA demonstrate its narrower scope. The bill grants only a short three-year term of protection beginning from the point at which the item is publicly displayed, and every design created before the enactment of this bill will remain in the public domain. Retailers and consumers cannot be liable for buying or selling illegal copies without knowledge of their illegality, and there is also a provision that allows home sewers to copy a protected design for private use by themselves or a family member.



While the IDPPPA's numerous and detailed conditions seem to have been made in consideration of many different sides of the fashion industry, some commentators have expressed skepticism when applying the IDPPPA to the bigger fashion industry picture. Kal Raustiala and Chris Sprigman, professors at UCLA Law School and UVA Law School, respectively, assert that the philosophy behind intellectual property law actually demands looking at the big picture rather than focusing in on a solely protectionist agenda. They state that there must be evidence of systematic harm throughout any industry looking to protect its intellectual property, and in the case of the fashion industry, there simply isn't enough

1. Proposed law to destroy 90% of design businesses. <http://www.fashion-incubator.com/archive/proposed-law-to-destroy-90-of-design-businesses/>

harm across the board.

Not only is there a supposed lack of harm, but Raustiala and Sprigman have argued that the fashion industry in the United States has in fact thrived specifically in part because of its lack of intellectual property regulations, and that the ability to copy work directly adds to the industry's economic success. Earlier this year, the two wrote in a New York Times article stating, "The interesting effect of copying is to generate more demand for new designs, since the old designs—the ones that have been copied—are no longer special. The overall result is greater sales of apparel. We call this surprising effect the 'piracy paradox.'"

An item of clothing, for example, is often deemed fashionable precisely because of its high rate of copying, or "trending," to put it in a less IP-offensive way. Fashion designers constantly borrow ideas they see in other designers' works and build off of one another for inspiration. And because there are constantly the Forever 21-type stores and Uggs imitations, designers are pushed forward into creating new trend cycles, ultimately renewing the industry over and over again on a much faster scale than with other regulation-heavy industries.

Secondly, consumers have an immense benefit to a fashion industry unregulated by intellectual property provisions. The latest fashion trends are not limited to only the wealthy when copying is allowed. Raustiala and Sprigman go so far as to state, "copying has played a major role in democratizing fashion."

As pointed out in a TED Talk specifically on the fashion industry's ability to flourish without copyright, from an economic perspective, the large majority of the clientele for "knock-off" purses is distinct from the customers who are able to make significant contributions to the labels who produce the originals. Should the knock-offs be outlawed, labels like Gucci and Fendi would unlikely have a noteworthy gain in customers.

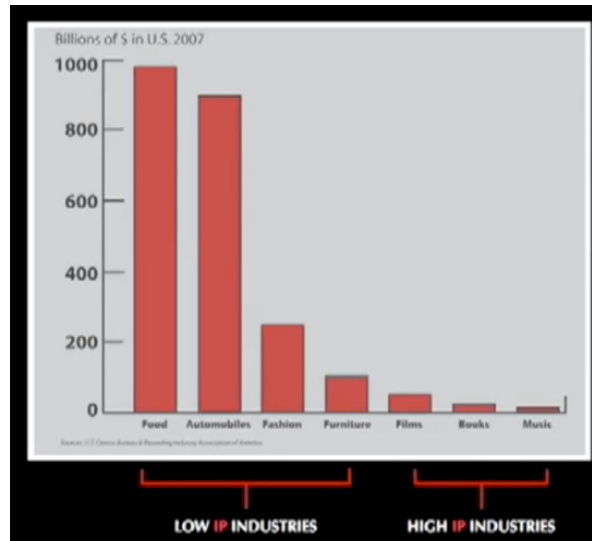
The same TED Talk goes on to give credence to the industries and art forms that similarly lack copyright

protection. Fashion designers and comedians alike have designed many of their products and jokes so that they simply don't work when produced by someone else. An intricate Vera Wang bridal dress is as difficult to perfectly recreate as a Larry David joke—a duplicate just isn't quite the same as when it comes from the original.

The IDPPPA does have much stricter rules on what constitutes a copy than its predecessors, but this has critics wondering if the bill will have much of any real, noticeable impact. However, Raustiala and Sprigman have pointed out that regardless of what the bill itself says, simply putting a law like this in the hands of lawyers and judges is a dangerous concept. They note patterns in copyright law indicating that plaintiffs' lawyers are fully capable of making creative arguments which often induce or allow judges to interpret the language in certain bills quite expansively.

A major concern is the likelihood of those independent designers, truly in need of copyright protection, ultimately going up against the more powerful giants who can easily afford the best IP attorneys money has to offer. And instead of a specialized federal agency making the determination (as the case is for patent infringement) this bill will call for judges to assess fashion designs, who, bless their hearts, have little knowledge or interest in keeping up with fashion trends. (This of course does not account for the obvious exception.)

One of the main concepts behind the implementation of copyright law is the relationship between ownership and incentive to innovate. But in such a richly creative industry where the high competition to innovate has produced a constantly evolving palate for consumers who happily participate, is it really a good idea to get the very complicated and often unfair process of copyright involved?



Unconstitutional Excess, and other Recent Copyright Developments

By Ali Sternburg

This piece was originally featured as a column at www.ipbrief.net. Columns explore various intellectual property law issues in a journalistic format, providing a detailed overview of the subject.

On July 9, 2010, in *Sony v. Tenenbaum*,¹ Boston federal judge Nancy Gertner gave a multifaceted ruling that made things slightly less abysmal for the scapegoat music pirate, and potentially a lot worse for the major record labels and their Recording Industry Association of America (RIAA) confederates. In the latest development of *Sony v. Tenenbaum*, Judge Gertner reduced the labels' statutory damages awards that were to be paid by Joel Tenenbaum, who was convicted of file sharing by a jury last July.² She decreased the damages from \$675,000 to \$67,500,³ using reasoning that was partially based on slightly arbitrary mathematics,⁴ partially influenced by a very similar precedent (*Virgin Records America v. Thomas*⁵), and partially reluctantly constitutional.⁶



On its website, the RIAA explains that it is “the trade organization that supports and promotes the creative and financial vitality of the major music companies.”⁷ Their self-description later declares that “the RIAA works to protect the intellectual property and First Amendment rights of artists and music labels,” as if that is not the mission which has made the organization notorious. Even though the RIAA formally stopped suing its

members' customers in 2008,⁸ a lot of irreparable damage had already been done to its reputation, and the

repercussions continue. Through the course of its five-year campaign, the RIAA actively filed lawsuits against 35,000 people, including a recently deceased 83-year-old woman, a thirteen-year-old girl,⁹ and a family that reportedly did not own a computer.¹⁰ And rather than decreasing the amount of piracy, the efforts apparently increased the amount of P2P file sharing.¹¹ Most of those sued settled—for “extortion-like fees”¹²—or the

1. *Sony v. Tenenbaum*, Memorandum & Order Re: Defendant's Motion for New Trial or Remittitur, July 9, 2010, <http://www.scribd.com/doc/34122318/Sony-v-Tenenbaum-Damages-Ruling>

2. Jonathan Saltzman, “BU student fined \$675,000 for illegal music downloads,” *The Boston Globe*, August 1, 2009, http://www.boston.com/news/local/massachusetts/articles/2009/08/01/bu_student_fined_675000_for_illegal_music_downloads/

3. Jonathan Saltzman, “File-sharing damages reduced tenfold,” *The Boston Globe*, July 10, 2010, http://www.boston.com/news/local/massachusetts/articles/2010/07/10/file_sharing_damages_reduced_tenfold/?page=full

4. Eric Goldman, “Copyright Statutory Damages Award Violates Constitutional Due Process--Sony v. Tenenbaum,” *Technology & Marketing Law Blog*, July 12, 2010, http://blog.ericgoldman.org/archives/2010/07/copyright_statu.htm

5. *Virgin Records America v. Thomas*, April 19, 2006, *Justia Dockets & Filings*, <http://dockets.justia.com/docket/minnesota/mndce/0:2006cv01497/82850/>

6. Nate Anderson, “Judge slams, slashes ‘unconstitutional’ \$675,000 P2P award,” *ars technica*, July 2010, <http://arstechnica.com/tech-policy/news/2010/07/judge-slams-slashes-unconstitution->

al-675000-p2p-award.ars

7. “RIAA – Who We Are”, *Recording Industry Association of America (RIAA)*, <http://riaa.org/aboutus.php>

8. Sarah McBride and Ethan Smith, “Music Industry to Abandon Mass Suits,” *The Wall Street Journal*, December 19, 2008, <http://online.wsj.com/article/SB122966038836021137.html>

9. Id.

10. Anders Bylund, “RIAA sues computer-less family, 234 others, for file sharing,” *ars technica*, <http://arstechnica.com/old/content/2006/04/6662.ars>

11. “RIAA v. The People: Five Years Later,” *Electronic Frontier Foundation*, September 2008, <http://www EFF.org/wp/riaa-v-people-years-later#7>

12. Mike Masnick, “Defining Success: Were The RIAA's Lawsuits

cases were dropped. Only two defendants went to trial in federal court, Jammie Thomas-Rasset and Joel Tenenbaum. These ongoing disputes continue to garner national attention because they are, as even notable sympathizer Techdirt's Michael Masnick said, "very flawed defendants who probably shouldn't have gone through with their fights against the RIAA"¹³ because of evidence that both were actually avid file-sharers.

Tenenbaum, a 26-year-old Boston University graduate student, went to trial at the end of July 2009¹⁴ for illegally downloading music; the jury awarded the record labels a combined \$675,000 for the 30 songs.¹⁵ Because the jury had deemed his infringements "willful"—Tenenbaum had "unapologetically admitted from the witness stand that he had illegally downloaded and shared hundreds of songs from 1999 to at least 2007 through peer-to-peer networks"—by federal law, the jury had to award between \$750-\$150,000 for the infringement of each song. He was fined \$22,500 for each of the 30 songs, totaling the \$675,000. Last week, on July 9, 2010, Boston federal judge Nancy Gertner reduced the penalty to ten percent¹⁶—\$2,250 per song, and thus \$67,500.

Boston Globe writer Jonathan Saltzman said in a video piece accompanying the article¹⁷ that it was "pretty apparent at the hearing earlier this year that Judge Gertner was very sympathetic to individuals who've been sued by the record labels." Although Gertner acknowledged that Joel Tenenbaum was not blameless, as he had continued to download music even after repeatedly warned not to, she maintained that "an award of \$675,000 was grossly excessive, and, in fact, violated the provision in the Constitution that says you cannot punish someone with grossly excessive awards."

A Success Or Not?," techdirt, June 7, 2010, <http://www.techdirt.com/articles/20100606/2308559704.shtml>

13. Mike Masnick, "Judge Says Damages In Tenenbaum Case Were 'Unconstitutionally Excessive,'" techdirt, July 9, 2010, <http://techdirt.com/articles/20100709/11305410154.shtml>

14. Jonathan Saltzman, "Four record labels suing BU student," The Boston Globe, July 28, 2009, http://www.boston.com/news/education/higher/articles/2009/07/28/four_record_labels_suing_bu_student/

15. Jonathan Saltzman, "BU student fined \$675,000 for illegal music downloads," The Boston Globe, August 1, 2009, http://www.boston.com/news/local/massachusetts/articles/2009/08/01/bu_student_fined_675000_for_illegal_music_downloads/

16. Jonathan Saltzman, "File-sharing damages reduced tenfold," The Boston Globe, July 10, 2010, http://www.boston.com/news/local/massachusetts/articles/2010/07/10/file_sharing_damages_reduced_tenfold/?page=full

17. Id.

Saltzman said that when he called Tenenbaum on the day that the decision came out, Tenenbaum said that he had not heard that the ruling came down, he had not yet paid any money, and he does not plan to, as even the reduced amount is still "unpayable." Saltzman also added that Tenenbaum's lawyer, Harvard Law School Professor Charles Nesson, said that he was inclined to appeal because he thinks the award is still too large.

Even advocates for Tenenbaum are likely to disagree with parts of Professor Nesson's unique approach and chosen arguments, particularly the fair use defense. According to Judge Gertner, Nesson, on behalf of Tenenbaum, "argued that every noncommercial use is 'presumptively fair' and that the question of fair use in his case 'belong[ed] entirely to the jury, which [was] entitled to consider any and all factors touching on its innate sense of fairness.'" Gertner's analysis of this reasoning was on point and showed surprising affinity for fair use and similar doctrines; yet even fair use enthusiasts like Mike Masnick¹⁸ and the author of this column¹⁹ agree that the fair use defense was not a logical defense, either.

Gertner's conclusion, with her unmasked opinion on the (un)fairness of the calculation of the "statutory damages" in light of the harm²⁰ or "actual damages,"²¹ and summaries of her Constitutional interpretations, is copied below:

The jury's \$675,000 award is wholly out of proportion with the government's legitimate interests in compensating the plaintiffs and deterring unlawful file-sharing. No plausible rationale can be crafted to support the award. It cannot withstand scrutiny under the Due Process Clause.

I grant Tenenbaum's Motion for a New Trial or Remittitur . . . insofar as it seeks a reduction in the

18. Mike Masnick, "Nesson Asking For Retrial In Tenenbaum Case, Claims It Was The Judge Who Screwed Up, Not Him," techdirt, December 9, 2009, <http://techdirt.com/articles/20091209/0357087263.shtml>

19. Ali Sternburg, "A Wireside Chat with Lawrence Lessig," American University Intellectual Property Brief, May 3, 2010, <http://www.ipbrief.net/2010/05/03/a-wireside-chat-with-lawrence-lessig/>

20. Mike Masnick, "Looking More Closely At Judge Gertner's Constitutional Analysis Of Copyright Awards In Tenenbaum Case," techdirt, July 12, 2010, <http://techdirt.com/articles/20100712/03481710175.shtml>

21. Ray Beckerman, "\$675,000 verdict reduced to \$67,500 in SONY v. Tenenbaum," Recording Industry vs. The People, July 9, 2010, <http://recordingindustryvspeople.blogspot.com/2010/07/675000-verdict-reduced-to-67500-in-sony.html>

jury's award on the grounds that it is so grossly excessive as to violate the Constitution. . . . I will amend the judgment in this case to reduce the jury's award to \$2,250 for each of the thirty infringed works.

The fact that I reduce this award, however, obviously does not mean that Tenenbaum's actions are condoned or that wholesale file-sharing in comparable circumstances is lawful. I have determined that Tenenbaum's conduct was not "fair use" and that it infringed the plaintiffs' copyrights. Furthermore, the jury's award, even as reduced, is unquestionably severe and is more than adequate to satisfy the statutory purposes and the plaintiffs' interests.

This decision is notable for several reasons. First, just as the judge in the Jammie Thomas-Rasset case, Judge Gertner ruled that the statutory damages awarded must be reduced. This ability to fix unreasonable penalties is interesting on its own merit, but particularly so because these undeniably disproportionate rates were set by Congress. This type of legislating from the bench by activist judges—to throw out a few buzz phrases—can be controversial, but it is a major way that copyright norms have changed²² recently, particularly with the doctrine of fair use.²³ These rulings in two different circuits—the Thomas-Rasset case in the Eighth Circuit and the Tenenbaum case in the First Circuit—could demonstrate another step toward acknowledging that various areas of copyright law are in need of update and reform²⁴ to comply with modern technology and the realities of consumer habits. In the realm of statutory damages for infringement, often there is an accidental conflation of commercial purposes (like selling pirated CDs) with non-commercial uses (the type of downloading Tenenbaum did for his own listening in his home); some of the comments on the Techdirt piece²⁵ have convincingly argued this. However, according

22. Joe Mullin, "John Paul Stevens: Assessing the Departing Justice's IP Legacy," Law.com, April 15, 2010, http://www.law.com/jsp/cc/PubArticleCC.jsp?id=1202448116969&Justice_Stevens_Assessing_His_IP_Legacy

23. Peter Jaszi, "Keynote Address: The Future of Fair Use," University of Maryland University College Center for Intellectual Property 2010 CIP Symposium: Sustaining Culture in Copyright, June 22, 2010, http://cipcommunity.org/s/1039/index.aspx?sid=1039&gid=1&pgid=467#Jaszi_blurb

24. "The Copyright Reform Act (CRA)," Public Knowledge, <http://www.publicknowledge.org/cra/>

25. Mike Masnick, "Judge Says Damages In Tenenbaum Case Were 'Unconstitutionally Excessive'," techdirt, July 9, 2010, Blog Comments, <http://techdirt.com/articles/20100709/11305410154.shtml#comments>

to another source, in the 1997 No Electronic Theft Act, "Congress sent the clear signal that it wanted to jail non-commercial online infringers."²⁶ There are also foreboding threats to public interests and civil liberties from the international negotiations surrounding the drafts of Anti-Counterfeiting Trade Agreement (ACTA),²⁷ including these types of unreasonable damages.

On a broader level, the developments in this case signify the music industry's failure to adapt to what is reasonable and realistic. While some may have thought, or at least hoped, that "unquestionably severe" high damages would disincentivize infringement, the industry's insistence on enforcing and policing its intellectual property²⁸ has made many decide that the copyright owners are out of touch with reality. These two key RIAA cases are not yet concluded, and as they continue, they are likely to further harm the already poor relations with music fans that industry organizations like the RIAA, and others like ASCAP,²⁹ have managed to cultivate by choosing their particular battles against the people who quite clearly appreciate music. These cases join other recent decisions, including significant victories, like *You Tube v. Viacom*,³⁰ and some more nuanced partial developments, like *Salinger v. Colting*.³¹

With changes and modernizations in the Internet and technology come opportunities for artists to create and distribute their works in more innovative ways, and I look forward to when the industry decides to join

26. Eric Goldman, "Copyright Statutory Damages Award Violates Constitutional Due Process--Sony v. Tenenbaum," Technology & Marketing Law Blog, July 12, 2010, http://blog.ericgoldman.org/archives/2010/07/copyright_statu.htm

27. "International Experts Find that Pending Anti-Counterfeiting Trade Agreement (ACTA) Threatens Public Interests," Program on Information Justice and Intellectual Property (PIJIP), June 23, 2010, <http://www.wcl.american.edu/pijip/go/acta-communique>

28. Ray Beckerman, "'Ha ha ha ha ha. RIAA paid its lawyers more than \$16,000,000 in 2008 to recover only \$391,000!!!" Recording Industry vs. The People, July 13, 2010, <http://recordingindustryvs-people.blogspot.com/2010/07/ha-ha-ha-ha-ha-riaa-paid-its-lawyers.html>

29. Joan Anderman, "Pay to play," The Boston Globe, June 9, 2010, http://www.boston.com/ae/music/articles/2010/06/09/pay_to_play/?page=full

30. Greg Lultschik, "YouTube Prevails Over Viacom In \$1Billion Infringement Suit," American University Intellectual Property Brief, June 26, 2010, <http://www.ipbrief.net/2010/06/26/youtube-prevails-over-viacom-in-1-billion-infringement-suit/>

31. Peter Jaszi, "The most important copyright decision of the decade?," @ollectanea, June 6, 2010, http://chaucer.umuc.edu/blog/cip/collectanea/2010/06/the_most_important_copyright_d.html

these efforts and actually try to adapt to them—and yes monetize them³²—rather than to fight a doomed, inevitably expensive battle against progress.

For more on the past, present, and future of Joel Tenenbaum and the RIAA, see: <http://joelfightsback.com>

32. Lawrence Lessig, “ASCAP’s attack on Creative Commons,” The Huffington Post, July 10, 2010, http://www.huffingtonpost.com/lawrence-lessig/ascaps-attack-on-creative_b_641965.html

Digital “Library” HTMLComics Shut Down by FBI, DOJ and Publishers

By Mark Tratos

This piece was originally featured as a column at www.ipbrief.net. Columns explore various intellectual property law issues in a journalistic format, providing a detailed overview of the subject.

On May 5, 2010, the Federal Bureau of Investigation (“FBI”) shut down the website www.HTMLComics.com (“HTMLComics”) and confiscated all of the website’s servers after a search for evidence of copyright infringement.¹ The FBI conducted their investigation with help from the Department of Justice (“DOJ”) and a consortium of comic book publishers including Marvel Comics (“Marvel”), DC Comics (“DC”), Dark Horse Comics, Archie Comics, Conan Properties Int’l LLC, and Mirage Studios Inc.² HTMLComics was thought to be the most well-known and possibly largest website on the Internet that made comics viewable to the public. The site purported to be visited 1.6 million times per day in April 2010 and displayed more than 6,630,021 pages of comic books online.³ The comics on display included some of the most famous fictional figures in entertainment today, including *Spider-Man*, *The X-Men*, *Superman*, *Batman*, *Star Wars*, *Dilbert*, *Hellboy*, and *Buffy the Vampire Slayer*.⁴ In addition to the comic books, the website supposedly displayed the Bible and other “written works”⁵ like *Playboy Magazine* and *Maxim Magazine*.⁶ A lawsuit was filed in Tampa federal court on



May 27.⁷

The hosting of literature online is not a new issue for intellectual property attorneys. In recent years, however, one company in particular has brought the issue to the forefront of the law – Google. Starting in 2002, Google began the ambitious project of digitizing every book published on the planet.⁸ By 2004, Google began to scan 15 million books from some of the world’s most well known libraries.⁹ The project soon spurred a class-action lawsuit brought by various authors and publishers who challenged the legality of digitization.¹⁰ Eventually, a settlement was reached out of court in 2008.¹¹ While many parties are still not happy with the deal, authors and publishers are finally getting paid royalties for their works.¹² More importantly for copyright law, however, Google may only display a small portion of any book still protected by copyright; the entire book cannot be viewed online.¹³ The effort by Google to create the world’s largest digital library was halted in its tracks, only to be resuscitated by Mr. Hart a

Books, Physorg.com, May 28, 2010, <http://www.physorg.com/news194288285.html>.

7. *Id.*

8. *Google Book Search*, N.Y. Times, Nov. 13, 2009, available at http://topics.nytimes.com/top/news/business/companies/google_inc/google_book_search/index.html?scp=1-spot&sq=Google%20books&st=cse.

9. *Id.*

10. *Id.*

11. *Id.*

12. *Id.*; see also Brad Stone & Miguel Helft, *Terms of Digital Book Deal with Google Revisited*, N.Y. Times, November 13, 2009, at B2.

13. *Id.*

1. Press Release, Katten Muchin Rosenman LLP, *Pirate Website www.Htmlcomics.com Shut Down by Coordinated Efforts of Department of Justice, FBI, Kattne and Consortium of Comic Publishers* (May 5, 2010) (on file with author).

2. *Id.*

3. *Id.*

4. *Id.*

5. *Comic’s And The Written Word*, NerdSociety, Apr. 12, 2010, <http://www.nerdsociety.com/2010/04/12/comics-and-the-written-word-part-2/>.

6. Suzette Laboy, *Feds Sue 6 Websites for Offering Free Comic*

year later.

The history of comic books online has been relatively brief when compared to Google's attempts to digitize books, but that history has expanded quite recently. A few years ago, Marvel unveiled its digital subscription service. "Marvel Digital Comics Unlimited" allows a subscriber to pay a monthly or yearly fee to access over five thousand comic books from a digital library accessible on a personal computer.¹⁴ The library consists of recently published issues and some of the most famous books in comic book lore.¹⁵ The digital market soon expanded with the help of Apple's iPhone and iPad. Upon release of the iPhone, the Comixology App¹⁶ allows users to view licensed comic books from Marvel, DC and a plethora of independent publishers on the handheld device. The iPad soon led both Marvel and DC to create applications that allow iPad users to download comic books on the same day that the books are available on the newsstand.¹⁷ While it seemed that the major comic publishers were truly embracing the "Digital Age," Mr. Hart was set on pushing that age further by creating a digital library to overtake Google's attempts and eventually the Library of Congress. He started with comic books.

Gregory Hart is a programmer who, for a time, worked for the United States Postal Service creating programs to increase office efficiency.¹⁸ Eventually, through his own company, Database Engineers Inc.,¹⁹ he developed his work into the program that served as the viewing method for those who visited HTMLComics. Hart operated the website by receiving donations of digital comic book files from anonymous users and posting these files on the website.²⁰ The program would allow users to view, but not download, the files.²¹ Because download was near impossible, Hart claimed that his website never actually "distributed" the comics, thus making his website a "library" where one could "borrow" the book, but never actually own it.²² The eventual purpose of the HTMLComics library, according to Hart,

was to be a free digital library that would exceed the scope of the Library of Congress.²³

Hart's justification behind the website revolved around his belief that he created a library. His manifesto on this belief can be seen at his website www.librarylaws.com. Hart claims he created a library by providing a "public resource for reading material."²⁴ He did not charge money or require membership to view the files, nor did he make money from advertising on the website.²⁵ Hart claimed that his "library is a more pure form of non-profit than is a community public library, or even the Library of Congress."²⁶ Hart goes on to list several definitions of what a library is from sources like the *Merriam-Webster Dictionary*, *Encyclopedia Britannica*, and *Wikipedia*.²⁷ Finally, Hart alleged that "if our presentation of literature is interpreted as being in conflict with copyright laws, then too is every library in existence."²⁸

Throughout his justification of the website, however, Hart does not point to one court decision or one statute of copyright law in the United States that substantiates his view. In fact, in 2009 Mr. Hart was found on the website www.findlaw.com looking for legal validation for HTMLComics' actions.²⁹ Hart asked if his definition of a library would clear him from any possible violation of U.S. copyright law.³⁰ Nearly all of the responses he received on the web forum directed him to seek counsel from an attorney immediately because they believed he was in violation of several different federal laws.³¹ It appears that he should have heeded their advice.

Starting sometime in 2009, Mr. Hart began receiving some notoriety for his website³² and then cease and desist letters from the publishers themselves.³³ It is unclear what the communications asked of Mr. Hart because the publishers have chosen to remain quiet, but

14. http://marvel.com/digitalcomics/how_it_works/.

15. *Id.*

16. <http://www.comixology.com/digital/>.

17. Joshua Mogle, *Digital Comics and YOU!*, Multiversity Comics, June 25, 2010, <http://www.multiversitycomics.com/2010/06/digital-comics-and-you.html#more>.

18. See *Comic's And The Written Word*, *supra* note 5.

19. <http://www.databaseengineers.com/>.

20. See *Comic's And The Written Word*, *supra* note 5.

21. *Id.*; <http://www.librarylaws.com/>.

22. <http://www.librarylaws.com/>.

23. *Id.*

24. *Id.*

25. *Id.*

26. *Id.*

27. *Id.*

28. *Id.*

29. Posting of Database Engineers, Inc. to FindLaw, http://boards.answers.findlaw.com/n/pfx/forum.aspx?tsn=1&nav=messages&webtag=fl-small_busine&tid=54640 (Mar. 9, 2009).

30. *Id.*

31. *Id.*

32. Lucas Siegel, *Attn: Marvel and DC Legal Departments*, <http://blog.newsarama.com/2009/01/15/attn-marvel-and-dc-legal-departments/> (Jan. 15, 2009).

33. See Laboy, *supra* note 6.

Mr. Hart did make a few statements online that provide some insight. He told the website www.Nerdsociety.com that both “Marvel and DC leave me alone as long as I stay 6 months to a year behind” the publication date of the books.³⁴ It should be noted, however, that the Marvel digital comic service does not put most comic books online until at least a year after the original publication date.³⁵ Hart also posted on the web-forum of www.thenostalgialeague.com, stating that he had “spoken with Marvel’s legal department and other lead officers within their corporate structure” and he confirmed his “approach is not distribution, hence the reason we’ve been around for over a year.”³⁶ Mr. Hart also claimed on the forum, “Google is using our site as reference as how to create an online library, and not violate copyright laws.”³⁷ Considering the current state of Mr. Hart’s website though, it appears that he was unable to escape a fate similar to that of Google Books.

As discourse about HTMLComics increased around the Internet, so did the scrutiny of Hart’s motives for creating the website. The pending lawsuit against Mr. Hart alleges that he told Marvel’s attorneys that if the company did not consent to a revenue-sharing agreement, he would keep the site up and refuse to charge people to view the comics.³⁸ Comic book creator Colleen Doran also alleges that in her encounters with Mr. Hart he was very concerned with making money through the site.³⁹ She says that she asked Mr. Hart to remove her work from his website and he responded, “We’ll see you in court and we’ll be the ones cashing your compensatory check.”⁴⁰ If Mr. Hart was trying to establish a “free” library for the world to use, he appeared to be trying to find plenty of other ways for HTMLComics to make money.

So where did Mr. Hart go wrong? While the lawsuit no doubt charges Hart with multiple violations of U.S. Copyright law, the most blatant violation appears to be that of the Right of Public Display.⁴¹ Title 17, Chapter 1, Section 106, clause 5 of the U.S. Code gives the owner of a copyright the exclusive right to show the

copyrighted work to the public. Whether the artists and writers own the rights to their own work or if those rights have been licensed should not matter to the court. Hart displayed these works to the public without owning any rights to the works. Mr. Hart has claimed that he would only be liable if he “distributed” the books,⁴² but the statute requires only that the work be displayed. To “display,” an infringer need only show a copy of the work through some device or process.⁴³ These were digital copies of the books displayed online for all the public to see. It should not matter if the website was a “library” or not. From the facts here, it appears that Mr. Hart will have a tough time defending himself in this suit.

Mr. Hart believes he is right in his quest to create his “library,” whether it is legal or not. Unfortunately, the precedent of how Google was forced to handle its digital books project does not bode well for Mr. Hart. Only time will tell where this case ends up, but one man taking on a resurging comic book industry does not sound like an easy fight to win^{3/4}not unless that one man is Superman.

34. See *Comic’s And The Written Word*, *supra* note 5.

35. <http://marvel.com/digitalcomics/hq/>.

36. Posting of Gregory Hart to *The Comics Rack*, <http://thenostalgialeague.yuku.com/topic/2387> (Dec. 29, 2009).

37. *Id.*

38. See Laboy, *supra* note 6.

39. Pirate Website raided by FBI UPDATED, May 5, 2010, <http://adistantsoil.com/2010/05/05/pirate-website-raided-by-fbi/>.

40. *Id.*

41. 17 U.S.C. § 106 (2002).

42. <http://www.librarylaws.com/>.

43. 17 U.S.C. § 106 (2002).

RIAA Monetary Recoveries in Illegal Downloading Cases Pale in Comparison to Legal Fees Paid

By Ashley Kobi

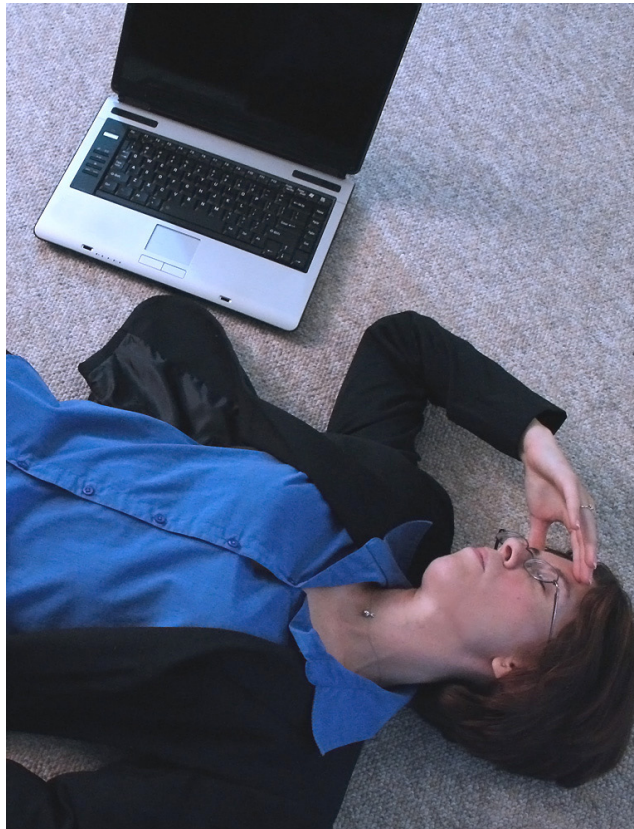
This piece was originally featured as a blog post at www.ipbrief.net. The AU Intellectual Property Brief provides daily content on hot issues, breaking news, and trends within intellectual property law worldwide.

According to documents posted by p2pnet blog, the Recording Industry Association of America (RIAA) has recovered a very small amount in damages in comparison to the millions they have spent in legal fees. The RIAA paid more than \$17 million in attorneys' fees in 2008 alone and they only recovered \$391,000. Recording Industry vs The People and ITProPortal, noted that \$9.36 million went to Holme Roberts & Owen, \$7 million went to Jenner & Block, and \$1.25 million went to Cravath, Swaine & Moore to pursue copyright infringement claims in 2008.

This outflow of cash was not new to the organization; in 2007 the RIAA spent \$24.5 million and recovered only approximately \$500,000 in connection with copyright infringement claims. In 2006, the RIAA spent over \$19 million in legal fees and recovered \$455,000. So, over a three year period the organization spent more than \$60 million and recovered less than \$1.5 million.

Although the documents posted on p2pnet blog further call into question the effectiveness and success of the RIAA's aggressive litigation strategy to combat copyright infringement, the RIAA has staunchly defended its expenditures for copyright infringement claims. Jonathan

Lamy, the senior vice president for communications for the RIAA, pointed out to the ABA Journal that victories are not always measured in dollars and cents and that the organization's "anti-piracy efforts are primarily designed to foster a respect for the rights of creators." The idea is to raise awareness so fans will buy their music from legitimate platforms. "And on that count," he says, "we think our efforts have made a real difference." In addition, Lamy pointed out that litigation often spans more than one year, so legal fees spent during one year can often result in later victories.



Australian Band Men At Work To Pay For Copyright Infringement

By Jack Korba

This piece was originally featured as a blog post at www.ipbrief.net. The AU Intellectual Property Brief provides daily content on hot issues, breaking news, and trends within intellectual property law worldwide.

An Australian judge has ordered the band Men At Work to pay for copyright infringement of a 1930s Australian nursery rhyme in connection with their 1980s hit “Down Under.” The judge determined that the flute riff in “Down Under” was substantially copied from the song “Kookaburra Sits in the Old Gum Tree,” which was composed in 1934. The penalty assessed was 5 percent of their royalty fees made from the song. This amount was significantly less than the 60 percent demanded from Larrikin Music, copyright holders of the song. The company bought the rights to the song back in 1990 for \$6,000.

According to Men At Work’s Colin Hay, the group never sought to obtain the rights to use the song because they had “unconsciously” used it in writing “Down Under.” In determining the royalty award, the parties agreed that the award should be determined based on a hypothetical bargain that would have been struck between a willing licensor and willing licensee. However, the parties disagreed over whether the award should be based on a 1982 bargain or 2002 bargain.

While siding with the plaintiffs and choosing the 2002 bargain, Justice Peter Jacobsen stated that the timing had little to do with the actual award. He rationalized that the flute riff is hard to detect, which would have given the licensor little bargaining power. Furthermore, the similarity was not even recognized by a principal of Larrikin until 2007 when the resemblance was noticed in a television program. Even so, the award is estimated

to be in the hundreds of thousands of dollars. Men At Work’s recording company EMI plans to appeal the decision.

For more on this story see “Court slaps EMI Men At Work for copying children’s song” by Mike Cherney at <http://blogs.forbes.com/docket/2010/07/06/court-slaps-emi-men-at-work-for-copying-from-childrens-song/>.



Thailand Thumbs Nose at USTR, Makes Affordable AIDS Treatment Top Priority

By Greg Luttschik

This piece was originally featured as a blog post at www.ipbrief.net. The AU Intellectual Property Brief provides daily content on hot issues, breaking news, and trends within intellectual property law worldwide.

Thailand is making waves on the international patent scene again with its plans to extend compulsory licensing schemes for Sustiva and Kaletra, two important HIV/AIDS drugs. With Thailand being a familiar face on the USTR's 301 report and its prior scrap over this licensing plan with Kaletra owner Abbot Laboratories, the country seems to be willing to thumb its nose at the Trade Representative and the pharma giant's significant influence. The decision came down after the Disease Control Department, the Department of Intellectual Property, the Foreign Ministry, the Government Pharmaceutical Organization, the FDA, and several AIDS activist organizations agreed that the compulsory licensing policy was in accordance with the 2001 Doha Declaration. For that many groups to reach a mutual agreement, my guess is that either some very good coffee was served at the meeting or that the representatives were told that lunch was conditional upon their reaching a conclusion.

In effect, the decision allows the Thai government to continue importing generic versions of the two drugs from India. With savings on AIDS drugs standing at \$36 million since the licenses were imposed and \$100 million in potential savings if the licenses are extended for the duration of the patents, the decision whether to maintain this policy has serious implications for access to HIV/AIDS treatment in Thailand. With the licenses in place, approximately 29,360 people are receiving Sustiva and 6,200 have access to Kaletra. Before, only 4,539 people could get Sustiva

and 39 could afford Kaletra. Yes, that's 39 people out of a nation with an HIV+ population of almost 610,000. (<http://www.bangkokpost.com/news/health/189154/hiv-aids-drugs-licence-extended>)

Some WCL students know that you can't string together the words "Doha," "Pharmaceuticals," and "301 report" without attracting the attention of Professor Flynn over at the Program on Information Justice and Intellectual Property (PIJIP). Professor Flynn and PIJIP covered this compulsory licensing issue extensively back in 2007, and the reports are still available here. For some other PIJIP work on the Special 301 report and access to medicines, check out the links below.

Review of the 2010 Special 301 Report Sections on IP and Access to Medicines
<http://www.wcl.american.edu/pijip/go/blog-post/preliminary-review-of-the-2010-special-301-report-sections-on-ip-and-access-to-medicines>

PIJIP Calls for USTR Policy Change to Promote Access to Medicines:
<http://www.wcl.american.edu/pijip/go/pijip03022010>



Judge to Inventor: You Can't Trademark a Circle

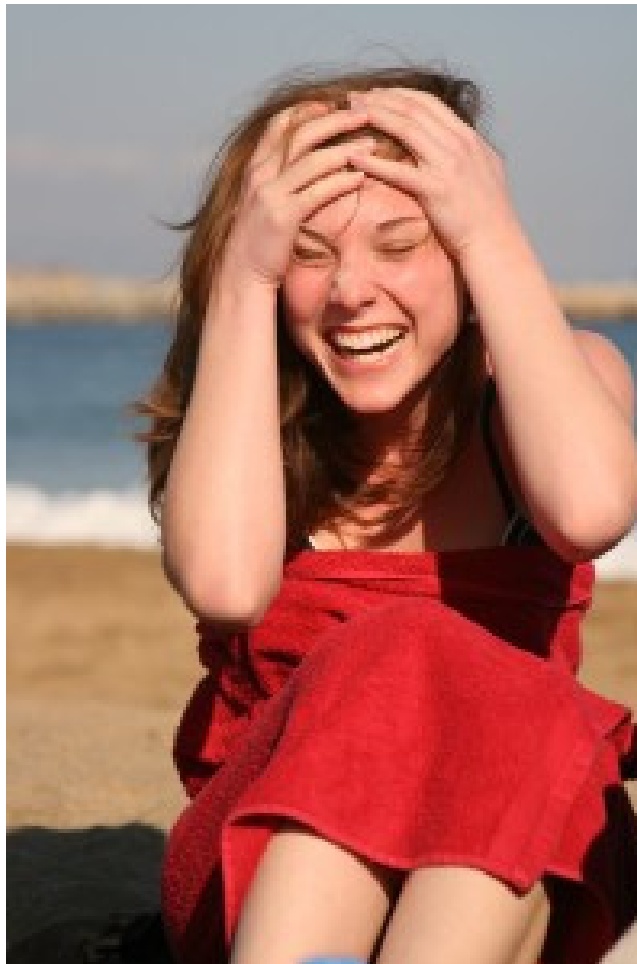
By Eric Perrott

This piece was originally featured as a blog post at www.ipbrief.net. The AU Intellectual Property Brief provides daily content on hot issues, breaking news, and trends within intellectual property law worldwide.

Although his invention was “the most radical beach fashion since the bikini,” Clemens Franek was denied a trademark on his circular beach towel in a ruling by the 7th Circuit Court of Appeals. More than thirty years ago, Franek designed a beach towel that allowed beachgoers to rotate around their towel so they could evenly fry their skin to a golden-brown hue. It was a single-colored fabric circle and it was revolutionary. With the help of Woody Harrelson (yes, THAT Woody Harrelson), Franek's towel made appearances on The Tonight Show, Entertainment Tonight, and The Oprah Winfrey Show. But thirty years later, the one of a kind beach towel would learn that maybe it wasn't all that distinctive.

In 2006, Franek noticed that circular beach towels were being sold at both Target and Wal-Mart and brought lawsuits against the two companies. Four years later, Chief Judge Frank Easterbrook ruled that no, Franek cannot trademark a circle. In his opinion, Chief Judge Easterbrook not only espoused several key reasons why Franek's beach towel could not be trademarked, but managed to do so with a plethora of puns and tongue-in-cheek humor. While C.J. Easterbrook agrees that the towel was the first of its kind, he ruled that giving the indistinct fabric circle a trademark would stifle the

towel industry, effectively smothering future innovations in towel technology. Finally, while invoking “Fit to be Square” by Huey Lewis and the News, Chief Judge Easterbrook explained (in all seriousness) that Franek could have used a design patent to protect his invention, or put some kind of distinctive mark on the towel in order to make it eligible for trademark protections.



Court Closes the Door on Inventors, Opens a Window for Business-Method Patents

By Kristin Wall

This piece was originally featured as a blog post at www.ipbrief.net. The AU Intellectual Property Brief provides daily content on hot issues, breaking news, and trends within intellectual property law worldwide.

On Monday the Supreme Court issued their long-awaited ruling on *Bilski v. Kappos*, overturning the lower court's narrow test and allowing inventors to continue to patent business methods.

The justices unanimously decided against the appellants, two inventors seeking to patent a method for hedging weather-based risk in commodities trading, finding their claims too broad to be patentable.

Yet the Court was strongly divided on the more fundamental issue of business-method patentability. The majority invalidated the Federal Circuit's "machine-or-transformation test," whereby the method sought to be patented must: 1) be sufficiently tied to a machine, or 2) transform an article from one state to another. Believed by many to be overly stringent, this test would invalidate a significant portion of currently approved patents. The Court refused, however, to offer an alternative test for determining business-method patentability.



For those hoping to expand the scope of patentability, today's ruling was a victory. Without any guidance or test for business-method patentability, the lower courts are left to fend for themselves in granting ownership of abstract methods.

