

Morgan Lewis

together

# Internet Law Update – 2013 Copyrights and Trademarks

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# Introduction

- Copyright and Trademark Law and the Internet –  
Article
- Updates
  - Copyright Law
    - *First Sale Doctrine*
    - *Public Transmission*
    - *Statutory Damages*
    - *Google Books*

# Introduction

- Trademark Law
- Domain Names
- Federal Activity

# Copyright Law – First Sale Doctrine

- *Kirtsaeng v. John Wiley & Sons, Inc.*
  - U.S. Supreme Court, No. 11-697, March 19, 2013
- Kirtsaeng bought copies of U.S. texts made and sold in Thailand, imported them to the U.S. and sold them in the U.S.
  - Kirtsaeng made net profit of about \$100,000

# Copyright Law – First Sale Doctrine

- Publisher sued, alleging copies made outside the U.S. are not subject to U.S. law, even if the original is subject to a U.S. copyright, and copies licensed by U.S. publisher to a foreign subsidiary

# Copyright Law – First Sale Doctrine

- First Sale Doctrine, 17 USC §109(a):
  - The owner of a copy “lawfully made under this title” is entitled to sell or dispose of the copy
  - Question is whether this provisions applies to copies made and sold outside the U.S

# Copyright Law – First Sale Doctrine

- First Sale Doctrine “exhausts” the copyright owner’s rights once the object containing the copy is sold
  - Purchaser of a book, audio CD, movie DVD may sell, modify or dispose of the copy
  - Publishers argue that copies made and sold overseas more cheaply than in U.S. may not be imported, even if content is the same

# Copyright Law – First Sale Doctrine

- District Court held foreign-made goods not subject to U.S. Copyright Act, including First Sale Doctrine
- District Court awarded \$600,000 in statutory damages
- Second Circuit upheld District Court's decision
  - Read “lawfully made under this title” as geographic location of manufacture
  - Dissent focused on whether copy was made lawfully under U.S. Copyright Act



# Copyright Law – First Sale Doctrine

- After winning in District Court and Second Circuit, publisher was joined by Solicitor General and several amici, focusing First Sale Doctrine on geography
  - *...where the Copyright Act is applicable*
  - *... applies only to copies made in U.S.*
  - *... First Sale Doctrine does not apply foreign production for exclusive distribution outside the U.S.*
- Focuses on non-geographical interpretations
- “lawfully made under this title” means “in accordance with” or “in compliance with” U.S. law

# Copyright Law – First Sale Doctrine

- Non-geographic interpretation applies
- “lawfully made under this title” means made with permission granted pursuant to U.S. copyright law
- Nothing in the First Sale Doctrine limits the phrase geographically
  - There’s no “where” there
- Review of statutory history confirms non-geographical interpretation

# Copyright Law – First Sale Doctrine

- Currently easier than ever to transport copyright-protected goods around the world
- Even easier to sell goods around the world
- Publishers' attempts to Balkanize copyright-protected goods increases costs and administrative burdens

# Copyright Law – First Sale Doctrine

- First Sale applies to copies made and sold by or on behalf of the copyright owner
- Does not apply to *licensed* copies
  - Put clickwraps and shrinkwraps around content
- DMCA provides cause of action against breaking of digital rights management
- DVD movies are region-encoded

# Copyright Law – First Sale Doctrine

- Ownership

- Work for Hire

- *Employees*

- *Independent Contractors – Need Assignment*

- Importance of Assignment Language

***Stanford v. Roche*, 563 U.S. \_\_\_\_\_ (2011)**

» “Hereby Assigns” vs. “Shall Assign”

# Copyright Law

- Notice / Registration
  - No Longer Required – Practical Importance
    - *Knowledge Issue – Intentional/Contributory Infringement*
    - *Statutory Damages*
    - *Litigation*
  - Registration Update
    - *New On-line System – still \$35*
    - *Deposits – Potential changes for Web Sites*

# Copyright Law

- Registration Required:
    - Registration before filing Infringement Action
    - Limited to U.S. based works - advantage for foreign works (except for statutory damages)
    - Required for each component of Collective Work
- Reed Elsevier v. Muchnick, 559 U.S. \_\_\_\_ (2010)**
- *Not required for approval of settlement*

# Contributory Infringement

## *Louis Vuitton Malletteir v. Akanoc Solutions,* **658 F.3d 936 (9<sup>th</sup> Cir. 2011).**

- Service Provider does not respond to notices regarding copyright and trademark infringement by web sites using their services
- Akanoc liable for contributory trademark and copyright infringement
  - Continuing to supply web hosting services to a party that defendant had reason to know is engaging in infringement and had control over “instrumentality” used by the infringing party (could “turn it off”)



# Contributory Infringement

- Defendants argued contributory infringement must be intentional
- 9<sup>th</sup> Circuit disagrees – contributory infringement by Service Provider include provision of services with actual or constructive knowledge of infringement or reckless disregard of copyright holder's rights.

# Contributory Infringement

- Importance of Statutory Damages
  - Copyright
    - \$750 to \$30,000 *per work infringed*
    - Willful infringement - \$750 to \$150,000 *per work infringed*
  - Trademark Counterfeiting
    - \$500 to \$100,000 *per article*
    - Willful infringement - \$500 to \$1,000,000 *per article*

# Contributory Infringement

- In *Louis Vuitton*:
  - Court awards statutory counterfeiting damages of \$10.5 million for contributory trademark infringement
  - Court awards \$300,000 for contributory copyright infringement

See also:

*Roger Cleveland Golf v. Prince*, No. 2:09-CV-2119-MBS  
(D.S.C. Dec. 3, 2010) (Bright Builders liable for contributory  
infringement)

# Digital Millennium Copyright Act (DMCA)

- Section 512 Protections
  - Service Providers
  - Registration of Agents
    - - <http://www.copyright.gov/onlinesp/agent.pdf>
    - Filing Fee - \$105 for first agent/ \$35 for up to 10 additional
  - Key Issue
    - *Problem of locating or prosecuting Internet based copyright infringers*
      - Pitt Bomb Scare

# DMCA

## *Viacom Int'l v. YouTube, Inc.*

**2010 WL 2532404(S.D.N.Y. 2010); reversed 2010 WL 1130851 (2<sup>nd</sup>. Cir. April 5, 2012).**

- District Court dismissed Viacom's complaint based on Section 512 on summary judgment
- Held that while YouTube had general knowledge that copyright materials was uploaded by users, it did not know which clips had been uploaded with permission and which had not
- Specifically held that requiring sites to police every uploaded video would contravene operation of DMCA, noting that YouTube had successfully addressed a mass take-down notice issued by Viacom in 2007 for specific videos cited in a DMCA notice.

# DMCA

- Two weeks ago – Second Circuit (2-1) reverses District Court:
- Knowledge of specific infringing activity not necessary – YouTube can be liable if “willfully blind” to specific infringement
- Facts as to knowledge precluded summary judgment – unlike DCMA notices, YouTube’s preemptive identification and search for infringing content was not followed by immediate take-down and jury could find that disqualifies it from safer harbor immunity (no longer YouTube process).

# DMCA

- Second Circuit actually upholds “guts” of lower court ruling
  - YouTube not required to police site – puts burden on service provider – contrary to DCMA intent
  - The fact that YouTube “could” block its site from infringing videos did not negate Section 512 liability protection
  - The provision by YouTube of transcoding, playback and thumbnail services were all part of activities permissible as Service Provider and eligible for DCMA protection.
- Lesson: Be careful if setting up policing activities

# Trademarks

- Internet Issues
  - International issues:
    - *Unlike copyright, trademark protection does not extend outside country*
    - *Individual country registrations*
    - *First to file system*
  - Lesson: Obtain O.U.S. protection
  - Trademark Use Issues:
    - *Some use not protected by trademark law:*
      - Descriptive Use vs. Trademark Use
      - Use in Domain names
  - Lesson: Dilution protection may not be adequate



# Domain Names

- First attempt to attack domain name “infringement”
  - Dilution claims
  - Issues:
    - *“Famous” marks*
    - *Damages*
- Anti-Cybersquatting Consumer Protection Act (1999)
  - Issues:
    - *Costs*
    - *Requirements to prove “bad faith”*

# Domain Names

- Uniform Domain-Name Dispute Resolution Policy
  - Issues – “Bad Faith” – Limited Remedy
  - Panels seen as Pro-Trademark Owner
    - *Appeal – file lawsuit in 10 days to prevent transfer*
  - Decision records:  
<http://archive.ican.org/en/udrp/proceedings-list-name.htm>

# Domain Names

- Add Top Level Domains –
  - Prior: .com. .edu. .gov, .org, .net
  - New: .biz, .info, .name, .pro
- .xxx as of October 28, 2011.
  - Sunrise period for trademark holders
  - Right to exclude use (\$400)

# Domain Names

- April 13, 2012 – ICANN publishes “Trademark Clearinghouse: Draft Implementation Model”
  - <https://community.icann.org/download/attachments/31176258/TMC-Model-Draft-13apr12.pdf?version=1&modificationDate=1334362955253>
- Use for “Sunrise” Registrations and Dispute Resolution

# Federal Actions

- Grand jury indictment against Megaupload.com (MUL) (E.D. Va. January 5, 2012) – one of world's largest file sharing sites
- Charged companies and seven individuals with RICO offenses, criminal copyright infringement and conspiring to commit criminal copyright infringement
- FBI/DOJ seized MUL's assets and domain names, shut down site and had founder and key employees arrested

# Federal Actions

- MUL defending based on *Sony v. Universal*, 464 U.S. 417 (1984) (Betamax case) (service has non-infringing uses) and *Viacom v. YouTube* (no obligation to police)
- Government has alleged that MUL had actual knowledge of infringing activities, but failed to act and has evidence that MUL knew site's main use was to distribute infringing content

# SOPA / PIPA

- Stop Online Piracy Act, H.R. 3261 (SOPA)
- Preventing Real Online Threats to Economic Creativity and Theft of Intellectual Property Act, S. 968 (PIPA)
- Legislation currently stopped based on opposition (including blacking-out of Wikipedia)
- Would allow DOJ to get order requiring search engines, ISPs and domain name services to block access to such sites

# Contact Information



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