

COPYRIGHT INFRINGEMENT ISSUES ON THE INTERNET

**© 2000 Anne Hiaring, Esq.
Law Offices of Anne Hiaring**

I. INTRODUCTION

The extension of commerce and content distribution over the Internet has created enormous potential for exploiting intellectual property. While the Internet is a latter day Eldorado, the legal principles to consider in licensing rights are definitely Old World. However, contributory infringement and anti-circumvention raise new possibilities for liability in this Eldorado, while ISP exemption can provide some liability relief.

In order to exploit content over the Internet, as with other forms of distribution, permission to use the various types of property incorporated in the content must be obtained. These range from copyright permissions in the text, graphics, films, musical compositions and sound recordings in the content, to trademark clearances for marks appearing in it, rights of publicity and satisfaction of contractual obligations arising from SAG (Screen Actors Guild) contracts with actors appearing in film clips used.

The questions that counsel for an Internet content provider - each client using the web to reach customers -

that is, virtually all of them - must ask are qualitatively no different than those that counsel for film and television producers, advertisers and calendar and card publishers, for example, have asked for years. The issues are the same, and the questions are the same. They boil down to: did your company create the content itself? If not, who did, and does the company have permission to transmit the content over the Internet?

This paper will first provide an example of content that could be licensed in connection with a web site advertising campaign and will then provide an outline of the issues that need to be considered.

The paper concludes with a short discussion of exemptions for ISP's - internet service providers and contributory and anti-circumvention liability. Because increasingly web sites are serving as portals, thought must be given to whether a client's activities qualify the client as an ISP and how this affects permissible content and conduct.

The most exciting issue in copyright liability on the web stems from the activities of companies such as Napster and their video downloading equivalents, such as Scour.com. Recent articles on these activities are included in these materials. However, the situation is evolving so rapidly on these fronts, that by the time you are reading this paper (since it was written in Summer, 2000) the issues that are now so controversial should be largely resolved.

A. Sample Fact Pattern

The client – a fashion company, a car company, a modem company – whatever – is developing a new web site. It will feature streaming video and music, links to other sites and original content. The content will feature performances and interviews with famous (and mostly now dead) rock stars, their families and business associates, and clips of film and photographs of them. Cartoon characters that complement the themes of the stars' music are also intertwined in the content. The user can interact with the content by selecting performers, songs, interviews, films, cartoons or other aspects of the site and playing them randomly. The user can also link to related sites, product and other information.

The client used off-the-shelf videotapes and sound recordings for many of the performances, interviews, cartoon graphics and photographs and quotes from books and magazines. The client's employees shot some of the interviews, but also contracted with a video production company to film some of them. Both inside and outside producers edited the final film selections used in the content. The client's in-house programmers created the code for most of the product, but also hired free-lancers for various aspects. The client intends to enable users to directly download music and enable video streaming of cable and television broadcast programs.

B. Issues Checklist

1. Copyright Rights

- photographs
- motion pictures
- graphics
- textual quotes
- music
- choreography
- computer program in final product
- broadcast & transmission issues
- contributory infringement

2. Rights of Publicity

- rights in the living and dead performers' personalities

3. Trademark Rights

- cartoon characters depictions, logos

4. Contractual Rights

- SAG (Screen Actors Guild)
- AFTRA (American Federation of Television and Radio Artists)
- Writers Guild
- Directors Guild
- Collective Bargaining Agreements

II. COPYRIGHT RIGHTS

A. Clearing Rights in the Third Party Material
Used in the Web Site

Governed by the Copyright Act, 17 U.S.C. Section 101 *et seq.*, copyright protects "original works of authorship fixed in any tangible medium of expression. . . ." Section 102. The categories of protectable works include:

- 1) literary works;
- 2) musical works;
- 3) dramatic works;
- 4) pantomimes and choreographic works;
- 5) pictorial, graphic and sculptural works;
- 6) motion pictures and other audiovisual works;
- 7) sound recordings; and
- 8) architectural works.

In the above example, there are copyright rights in the quotes from books and magazines (literary works), rights in the musical compositions performed (music and lyrics), rights in the sound recordings themselves (the specific renditions, as recorded, if created after 1972), rights in any choreography appearing in the films or rock performances, rights in the historical film clips used (motion pictures and other audiovisual works), rights in photographs (pictorial works) and rights in the cartoon graphics (graphic works).

The copyright rights in each of the above must be cleared before lawful use can be made in the web site

content. Under the above fact pattern, it can be assumed that the copyrights are still in force. Determining whether or not a work is still within or outside of the term of copyright can itself be complicated, depending upon whether the work was created before or after January 1, 1978, whether the copyright had ever been registered or renewed and whether copyright notice was used. Copyright term in the U.S. is life of the author plus 70 years. This means that copyright likely subsists for any work created from the first decade of the 20th century. In other words, most works.

Even if it is clear that copyright subsists, tracking down the copyright holder and obtaining necessary permissions can be a time-consuming and expensive process. No central copyright clearance houses have emerged to assist in the clearance of rights. Similarly, unfortunately, no standards on pricing have emerged that create any predictability as to how much permissions for music, film or photographs are likely to cost. For an excellent list of sources on obtaining permissions, obtain the Multimedia Law and Business Handbook by Diane Brinson and Mark Radcliffe. The only examples of somewhat centralized clearance procedures are in the field of musical compositions and sound recordings. In those cases, BMI, ASCAP, SESAC or the Harry Fox Agency typically will own the rights to sublicense any musical compositions or sound recordings that may be of interest, although in some cases the owner of the rights must be contacted personally.

Note that the exercise of copyright rights involves

five major economic rights: the right to reproduce the work, create derivative works, distribute the work, perform the work publicly, and to display the work. Different types of works enjoy different rights. For example, there is no performance right in sound recordings except for digital transmissions. Therefore permission to perform (a transmission over the web is a "public performance") may not need to be obtained for the sound recording rights in music, but would have to be obtained for the rights to perform the musical composition.

If you are not starting from the beginning in clearing rights, but already have pre-existing contractual relationships granting licenses to use works, it is important nevertheless to check carefully both the pre-existing rights that were granted as well as the "new" use to determine if sufficient rights have been obtained. This same inquiry should be made even when obtaining rights from a third party. At the least, indemnities should be obtained to protect against liability if a grantor does not own the rights granted.

Counsel must determine if the client has acquired the right to use the copyrighted work in the manner that the client wishes. This is the "old rights, new uses" problem, and, with emerging technology, these are not easy questions to answer. For example, are rights to use a work in "motion pictures" the same as in "television"? In videocassettes? Does the right to use software in a computer program extend to on-line distribution? Do any rights extend to web site broadcasting?

One line of cases, following Bartsch v. Metro-Goldwyn Mayer, Inc., 391 F.2d 150 (2d Cir. 1968) interprets contractual language in light of the technology existing or "reasonably anticipated" at the time. There the Second Circuit held that the licensee of motion picture rights in a play "may properly pursue any uses which may reasonably be said to fall within the medium as described in the license. . . if the words are broad enough to cover the new use, it seems fairer that the burden of framing and negotiating an exception should fall on the grantor." The licensee had full "exhibition" rights, and the court held that "exhibition" could include broadcasting via television. In Bartsch "motion picture" rights extended to television, since the medium existed and was not expressly exempted from the license. The issues are, one, whether the new use was "reasonably anticipated", and two, was the grant broad enough to encompass the new use? If so, the "old" rights extend to the new medium.

Other courts have taken a different approach, appearing to focus more on the means of distribution and the economics of the transaction to determine if a grant of rights in one medium extends to another. For example, in Rey v. Lafferty, 990 F.2d 1379 (1st Cir. 1993) the court held that a license "to . . . produce . . . film episodes [of CURIOUS GEORGE cartoons] . . . solely for broadcast on television" did not include rights to market videocassettes of the episodes. The holding is based, in part, on a somewhat dubious factual finding that in 1979, when the contract was concluded, no videocassette market existed, but more on the grounds that the granting clause

contemplated broadcasting or centralized distribution, not the playing of videocassettes in the home.

This seems to be the view that the Ninth Circuit is taking. See, e.g., Subafilms Ltd. v. MGM-Pathe Communications Co. 988 F.2d 122 (9th Cir. 1993) vacated in part, 24 F.3d 1088 (9th Cir. 1994). (No rights to perform film YELLOW SUBMARINE in videocassette form where grant of rights was to perform and transmit "by television and by any other technological, mechanical or electronic means, method or device now known or hereafter conceived or created" since home venue videocassettes not anticipated at the time of the license.)

Similar contractual rights issues can arise in the context of rights of publicity, discussed below.

B. Ensuring Rights of Ownership in the Whole

Apart from considering whether the third-party material used in the content has been cleared for use, counsel should also consider whether the client owns rights in the finished web site content itself (setting aside, for the moment, music and video streaming).

It is perhaps obvious to most (even clients) that you can't use bits of film clips or quotes from texts without permission. Less obvious, unfortunately, is the reality that unless employees create a work one hundred percent, there are serious ownership issues in the finished work.

In the above example, the client's employees took the film footage of some, but not all, of the interviews used

in the web site. A third party contractor, a video film production company, filmed some of them, too. As to that footage, the production company, not the client, owns the copyrights in the absence of an assignment, unless that production company's contribution is characterized under uncertain and wistful logic, as a "contribution to a collective work"; or "as part of a motion picture or other audiovisual work". See Section 101(2) and discussion in Section 2, below. Similarly, in the above example not all of the computer code in the final product was written by the client's own programmers. Free-lancers also were hired to complete some of the code. This means that those free-lancers, not the client, own that portion of the computer code.

Even though the client may have had the expectation that it owned all the footage in the interviews or all of the computer program code because it paid for it and worked closely with the outside contractors, neither such payment nor collaboration results in copyright ownership.

Section 201(a) of the Copyright Act (17 U.S.C. §§101 *et seq.*) provides that "copyright in a work . . . vests initially in the author or authors of the work. The authors of a joint work are co-owners of copyright in the work."

Section 201(b) provides: "In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title, and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright."

Thus the initial author of a work is the owner of the copyright rights. This balance in favor of ownership vesting in the actual author remains in the "work for hire" definition. The only way to have a work considered as a work for hire is to have a written instrument to that effect -- a formality that is frequently overlooked.

1. Works for Hire.

The Copyright Act distinguishes between two very different types of works that may be considered "works for hire". One is for works created by employees in the course and scope of employment, the other, much more limited, is for "specially ordered or commissioned" works by non-employees.

a. Employee Work for Hire

Section 101 provides: "A 'work for hire' is - (1) a work prepared by an employee within the scope of his or her employment".

Determination of who is an "employee" was addressed and settled in Community for Creative Non-Violence v. Reid, 490 U.S. 730 (1989). The prior, common law "control theory" was rejected (cf. Aldon Accessories Ltd. v. Spiegel, Inc., 738 F.2d 548 (1984)). Although not "new", this point must be underscored because many clients (and lawyers) intuitively believe that if a client pays a lot for a work and directs what the work's scope is, then the client then owns it. For example, a publisher who

hires a photographer to photograph a series of flowers for a floral calendar may well provide the studio, provide the set, provide the props and have at the ready one or more art directors who tell the photographer exactly how the shot should look when finished, re-direct the shot after initial takes, and so on. That "control", before Reid, was considered by some courts to create a "work for hire". After Reid, no more.

In Reid, the Supreme Court also clarified that common-law agency principles will be applied to determine whether a person is an employee such that rights in copyrightable subject matter created by that person in the course and scope vest, under Section 201, in the employer. Factors include: 1) right to control the manner and means by which the work is created; 2) skill required; 3) source of instrumentalities and tools; 4) location of the work; 5) duration of the relationship between the parties; 6) whether the hiring party has the right to assign additional projects to the hired party; 7) the extent of the hired party's discretion over when and how long to work; 8) the method of payment; 9) hired party's role in hiring and paying assistants; 10) whether work is part of regular business of the hiring party; 11) whether the hiring party is in business; 12) the provision of employee benefits; and 13) the tax treatment of the hiring party. cf. Restatement of Agency § 220(2).

The next question becomes, of course, whether or not the work was created "within the course and scope." Most courts, following Reid, also apply common-law agency theory to determine the "course and scope"

question. See, e.g., Miller v. CP Chemicals, Inc., 808 F.Supp. 1238 (D.S.C. 1992) (Restatement Agency §228 applied, a three-part test: 1) is it the kind of work which the employee was hired to perform; 2) was it done within substantially within authorized time and space limits; and 3) was the work done to further the interests of the employer?).

Thus if an employee creates a work in the course and scope of employment, the employer owns the copyright, and is in fact considered the "author", and thus "owner" of the work (Section 201).

b. Non-Employee Work for Hire.

The second type of work for hire is defined in Section 101(2) "Work for hire". This Section defines what works created by *non-employees* can be treated as "works for hire". The Section provides in pertinent part as follows:

A 'work for hire' is - (2) a work specially ordered or commissioned for use as:

- i) a contribution to a collective work,
- ii) as a part of a motion picture or other audiovisual work,
- iii) as a translation,
- iv) as a supplementary work,
- v) as a compilation,
- vi) as an instructional text,

- vii) as a test,
- viii) as answer material for a test, or
- ix) as an atlas

Note that the list is short and comprised of a rather odd assortment of types of works that are capable of being treated as non-employee "works for hire". There are only nine categories. They fall, roughly, into three groups: 1) the textbook and other publishers special interest group (contribution to a collective work, translation, supplementary work, compilation, atlas); 2) the motion picture special interest group (part of a motion picture or other audiovisual work); and 3) the secured test special interest group (as a test, answer material for a test).

Applying the above to the example given, the footage of interviews incorporated into the larger "motion picture" comprising the content as a whole could be characterized as capable of being a commissioned work for hire because the commissioned work is "part of a motion picture or other audiovisual work", or part of a "collective work". However, software is NOT among the nine enumerated categories of works capable of being treated as works for hire if created by non-employees. Any contract that purports to vest rights in the party commissioning the software or GUI by means of "work for hire" will fail. Thus rights to the software created by outside free-lancers would not be conveyed through "work for hire" provisions.

Even if you have a work within the

enumerated nine categories, you still must read on in the statute: ". . . IF (my emphasis) the parties expressly agreed in a written instrument signed by them that the work shall be considered a work made for hire."

Therefore there must be a signed writing by both parties specifying that the work shall be a work for hire, **and** the work must be within the nine enumerated categories, to be a "work for hire" under this part of the statute.

It has been thought that such a writing must be completed before the work is completed, and securing a writing before the "work for hire" is created is certainly prudent. However a recent Second Circuit case has held that agreement on the work for hire status before creation of the work is all that is necessary; the actual writing can be executed later. See Playboy Enterprises, Inc. v. Dumas, 53 F.3d 549 (2d Cir. 1995) (endorsements on checks paying for works satisfies the writing requirement). If this trend is followed, the writing requirement will be considerably eased. Note, however, that the writing requirement probably will continue to be strictly enforced. In a related ruling in the above case, the District Court held that signatures of the artist endorsing checks for deposit were sufficient for the "writing" requirement, but that check endorsements by accountants or like business colleagues was insufficient. Playboy Enterprises Inc. v. Dumas 960 F.Supp. 710; 42 USPQ2d 1511 (S.D.N.Y. 1997) (3.25.97).

2. Joint Works

If the client is not the natural author, and ownership cannot vest under the work for hire doctrine, counsel should consider whether the client may be a "joint author" and therefore a "joint owner" of the copyright. Section 101 defines a "joint work" as follows: "A 'joint work' is a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole."

"Joint authorship" creates co-ownership status, like a tenant in common. Each author has an undivided interest in the whole of the work. Section 201. The joint contributions must create a "unitary whole" with "inseparable or interdependent parts". The classic example is music and lyrics by the joint authors Rogers & Hammerstein.

There is some difference of opinion, but in the Ninth and other Circuits, the contribution of each joint author must constitute separate, independently copyrightable subject matter for joint authorship status to arise. See, e.g., Ashton-Tate v. Ross, 916 F.2d 516 (9th Cir. 1990) (ideas for commands for user interface not copyrightable subject matter; no joint authorship). This creates a great hurdle to overcome because frequently the entity commissioning the work has not itself created "copyrightable subject matter".

An interesting claim of "joint authorship" in a videogame was recently made by a martial arts expert whose movements were filmed and later digitized to create computer code for arcade games. In Ahn v. Midway Mfg.,

965 F.Supp.3d 1134 (N.D. Ill. 1997) (5.28.97) ("Ahn") martial arts experts and a dancer were hired to perform for footage that was digitized and converted into sequences in the Mortal Kombat and Mortal Kombat II videogames. Ahn, a martial arts expert, signed a document making Midway the sole and exclusive owner of the copyrightable expression as a "work for hire" and giving rights to use his name and likeness in connection with the manufacture and use of "coin operated video games". When Midway later wished to release home video and hand-held versions of the game, it asked Ahn for a further release, which he refused. He then sued Midway for copyright and right of publicity infringement when Midway released the home versions of the games.

Somewhat inconsistently, the Court held that Ahn's performance was copyrightable as choreography but that he did not enjoy joint authorship in the computer program resulting from the choreography because he did not participate in the final edit or computerization of his movements. The rights of publicity that he enjoyed in his performance the Court held were subsumed in and pre-empted by the copyright rights. Thus no rights of publicity existed apart from the copyright rights. Finally, the Court dismissed Ahn's contention that he granted rights to Midway only with respect to arcade versions of the game, not home versions. The writing Ahn signed stipulated both that his performance was a "work for hire" and that Midway became the sole and exclusive owner. The Court construed this as an assignment that was good as against all uses of the performance in computer code -

whether as source code for an arcade game, or source code for a home version. The computerized code, in both instances, was the same. Because of the inconsistent reasoning, this case should not be relied upon to provide conclusively rights in newer versions of pre-existing works or to disprove "joint authorship".

This case seems to build on another Northern District of Illinois case that similarly had a very forgiving view of "joint works" that also favored the employer or commissioning party, except in the opposite direction - supporting an employer's claim of joint authorship in a work created by an independent third party. In Napoli v. Sears, Roebuck and Co., 874 F.Supp. 206 (N.D. Ill. 1995) ("Sears"), the Court held that rights in the design of a graphic user interface could create joint authorship in the work as a whole, together with the rights in the computer code itself. This decision may or may not be followed, and the copyright status of screen displays is a thin thread, in any event, upon which to hang "joint authorship".

Although both Sears and Ahn offer interesting outcomes with respect to "joint authorship", it has been and will continue to be difficult to prove "joint authorship" and thus "joint ownership" for two reasons. One is the requirement in the Ninth and other Circuits that each contribution be separately copyrightable and the other is the "intent" requirement set forth in the statutory definition.

With respect to the "intent" requirement, the statute expressly requires that for a "joint work" the parties must prepare the work "with the **intention** that

their contributions be merged into inseparable or interdependent parts of a unitary whole". In the event of a dispute, it is unlikely that an independent consultant who drafted portions of code would maintain that he or she intended to create a joint work with the client. See Respect Inc. v. Committee on the Status of Women, 815 F.Supp. 1122 (N.D. Ill. 1993), *motion granted*; 821 F.Supp. 531 (N.D. Ill. 1993).

3. Acquisition of Rights by Contract

The easy, and often the only way to ensure ownership of rights is simply to require an assignment of rights by all employees and independent contractors. This will avoid the "authorship-ownership" issues. Language of assignment of copyright rights must be in all employee and outside contractor contracts. To fulfill the requirements for an assignment under the Act, the assignment must in writing and signed by the party making the assignment.

It is permissible to provide that a commissioned work is both a "work for hire" and also to assign the rights in the same document. This was, in fact, the type of language used in the Ahn writing. In this writer's view, however, it is preferable to rely on assignment rather than work for hire language. This will avoid possible tax consequences under state statutes that provide that "work for hire" contracts trigger employee status for unemployment insurance purposes. See Cal. Labor Code Section 3351.5(c) and Unemployment Insurance Code

Section 686.

III. RIGHTS OF PUBLICITY

Akin to trademark rights, rights of publicity are created by state statutes and also can be protected under the federal common law of unfair competition, 15 U.S.C. Section 43(a), and state common law rights of publicity.

The California statute pertaining to rights of live persons is Section 3344 of the Civil Code which protects the "name, voice, signature, photograph or likeness of another" from use "in any manner, on or in products, merchandise, or goods, or for purposes of advertising or selling, or soliciting purchases of, products without consent."

A parallel statute in California protects "dead celebrities" rights. California Civil Code Section 990 creates liability against "[a]ny person who uses a deceased personality's name, voice, signature, photograph, or likeness, in any manner, on or in products, merchandise, or goods, or for purposes of advertising or selling, or soliciting purchases of, products, merchandise, goods, or services, without prior consent." Complicated provisions provide for who may claim the rights of "deceased personalities", and care should be taken in dealing with purported representatives of such deceased personalities to ensure that the rights claimed are in fact owned by the party claiming to own them.

Interesting questions can arise as to whether a person falls under the category of a "deceased celebrity".

If a person does not reach fame in his or her lifetime, but later becomes a cult figure, such person may not qualify. The statute defines a "deceased personality" as "any natural person whose name, voice, signature, photograph, or likeness has commercial value at the time of his or her death whether or not during the lifetime of that natural person the person used his or her name, voice, signature, photograph, or likeness on or in products, etc." The statute creates rights for celebrities who died within 50 years prior to January 1, 1985. Thus rights of any personality dead before 1935 would not fall under the statutory rights (e.g., Jack London, Anna Pavlova).

A 1997 Ninth Circuit case dealt with the extent of publicity rights obtained under a contract. This case presents the Bartsch "old rights, new uses" problem in the context of rights of publicity as opposed to copyright rights. Astaire v. Best Film & Video Corp. __ F. 3d __ ; 43 USPQ2d 1128 (9th Cir. 1997) involved a suit by Fred Astaire's widow against producers of dance instructional videotapes. During his lifetime, Fred Astaire granted exclusive rights to Ronby to use his name and likeness in connection with dance studios and related activities. A licensee of Ronby produced a series of dance instructional video tapes using the Astaire name and still photographs that Astaire had authorized use of during his lifetime. However, to enhance the product, the producers added clips from two Astaire films that were not part of the original contract at the beginning of the tapes.

Astaire's widow sued claiming that the videotapes were outside the scope of exempted uses under Section

990 and that the use of the film clips amounted to use in a commercial, which was prohibited by Section 990.

The Ninth Circuit interpreted the exemption from liability of Section 990(n), which exempts use of a covered celebrity's rights in a "film. . .or television program" as applying also to videotapes. The Court held that the use in the dance instructional videotape was as protected a use as a documentary or other film production would be. Furthermore, the Court found that the use of the film clips, although arguably a "commercial" for the instructional tape used to enhance its salability was not a prohibited "advertisement or commercial announcement", since the use was in the protected videotape itself. Thus, the dance instructional tapes were covered by the statute as "films" and using the Astaire film clips to advertise the tapes was not a violation of Section 990 (although using film clips in advertising unrelated to the protected uses would have been). The Court clarified in a series of examples that if a celebrity's rights are protected (use in a film, magazine article, book, etc.), then advertisements for such product could use the celebrity's likeness.

Applying the lessons of Astaire to the hypothetical facts, if the content were, like the videotape, characterized as a protected "film", then the use of photographs and footage of the dead rock stars would be exempt under Section 990. The 9th Circuit expressly refused to require that the film be a documentary to be protected. A purely entertaining film (and hence purely entertaining web site "motion picture") is arguably now exempt from the statutory rights of publicity claims.

Besides statutory rights, common law state and federal rights of publicity have been recognized. For example, a "voice alike" which is not within the meaning of "name, voice, signature or photograph" has been protected. Waits v. Frito-Lay, Inc. 978 F. 2d 1093; 23 USPQ2d 1721 (9th Cir. 1992); Midler v. Ford Motor Co. 849 F.2d. 460 (9th Cir. 1988) *cert. denied* 503 U.S. 951 (1992). The most far-reaching common law right of publicity case involved misappropriation of Vanna White's "identity" by use of a robot in a blonde wig and gown turning a game board shaped like a roulette wheel. White v. Samsung Electronics America, Inc. 971 F.2d 1395 (9th Cir. 1992).

Applying the concepts of rights of publicity to the sample facts, it is necessary to obtain rights to use the living performer's likenesses and other publicity rights, in addition to the copyright rights. Until Astaire is tested, it is probably also a good idea to obtain rights to the deceased performer's publicity rights.

Although the Northern District of Illinois in the Ahn case and the Seventh Circuit in Baltimore Orioles Inc. v. Major League Baseball Players Ass'n, 805 F.2d 663 (7th Cir. 1986) have held that the rights of publicity of performers is pre-empted if performers grant copyright rights to the filming of their performances, it cannot be assumed that because copyright rights have been obtained that rights of publicity likewise have been cleared. Indeed frequently the opposite is the case.

Motion picture studios usually hold the copyright rights in their films, but may often not hold the rights of

publicity owned by the performers in the films that would allow use of the still or moving images of performers in any work other than the motion picture and associated publicity for the film.

IV. TRADEMARK RIGHTS

Trademarks and service marks are those words, symbols, phrases or designs which the public associates with a single source of goods or services. Trademarks and service marks are essentially identical, except that trademarks designate a single source of goods, while service marks designate a single source of services. A mark may simultaneously function and be protected as both a service mark and a trademark. For example, a mark which is used in connection with products which the trademark owner also repairs or services may be both a trademark and a service mark.

A. Federal Law

The Lanham Trademark Act of 1946, found at 15 U.S.C. Sections 1051 *et seq.* is the federal statute governing trademark rights. Section 45 of the Lanham Act defines a trademark as "any word, name, symbol, or device or any combination thereof - (1) used by a person, or (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this Act, to identify and distinguish his or her goods, including a unique product, from those

manufactured or sold by others and to indicate the source of the goods, even if that source is unknown." Section 45 similarly defines a service mark as "any word, name, symbol, or device . . . [used] . . . to identify and distinguish the services of one person . . . "

In the United States, the establishment of ownership rights in trademarks and service marks requires either: 1) filing of intent to use applications to register with the United States Patent and Trademark Office, or 2) the actual use of the mark in commerce. In all cases, as the public association with a mark and the source of goods on which it appears becomes stronger, the rights of the owner of that mark become stronger, more valuable, and more easily enforceable.

It is not necessary to register a mark federally in order to enjoy the protection of the Lanham Act. Section 43(a), the federal unfair competition statute, allows for enforcement of unregistered marks, as well as protects against related types of unfair competition.

B. State Law

The source of Congressional power to regulate trademark rights at the federal level stems from the Commerce Clause, not Article 1, Section 8, which creates exclusive federal rights under the patent and copyright laws. Therefore the Lanham Act, for the most part, does not preempt state laws regulating trademarks. Accordingly, there is a parallel regime of state law for protection of trademarks.

State trademark statutes provide trademark and service mark protection within each state. State statutes closely parallel the Lanham Act. To illustrate, California's trademark statute defines a trademark in terms nearly identical to those in the Lanham Act as "any word, name, symbol, or device or any combination thereof adopted and used by a person to identify goods made or sold by him and to distinguish them from goods made or sold by others." Cal. Bus. & Prof. Code Section 14207.

In the above sample fact pattern, the cartoon characters selected for the web site are probably protected by trademark as well as copyright rights. Individual cartoon characters such as MICKEY MOUSE and the ROADRUNNER all have been the subject of trademark infringement actions. See, e.g. Roadrunner Computer Systems, Inc. v. Network Solutions, Inc. (Civ. No. 96-413-A E.D. Va., filed March 26, 1996).

Even trademarks worn by performers or appearing on goods in a film can be protected apart from other trademark copyright or other rights for which permissions have been obtained. For example, in National Football League Properties Inc. v. Playoff Corp. 808 F.Supp. 1288; 25 USPQ2d 1788 (N.D. Texas 1992), publishers of trading cards obtained the rights from the Players Association to use the likenesses of various football players in the course of play. However, the card company did not obtain the rights from the licensing entity for the NFL to use NFL logos. The court held that it was a violation of the rights in the NFL trademarks for cards to be sold that depicted the marks on the players' uniforms in the course of play,

even though the marks were not accentuated or featured in a way that they were used as the main vehicle to sell the cards.

The practice in the motion picture and television industries has long been to clear rights in all trademarked products appearing (indeed "placement" of products is paid for by product manufacturers). Similarly in the card and calendar business, the best practice is either to obliterate trademarks or obtain rights to use the products. Since the web site in this fact pattern is a type of "motion picture", rights should be cleared in the same fashion.

Each of these types of rights – copyright, rights of publicity and trademark rights are subject to "fair use", some of which is statutory and some of which is common-law based. In any given case depiction of a personality, a trademark or use of copyrighted material could be protected under principles of fair use and the First Amendment. The point, for purposes of this brief overview, is simply to point out the issue and the need, in general, to clear such rights.

V. CONTRACTUAL RIGHTS

Where any use of filmed material or recorded music is concerned, the question should always be raised whether any contractual obligations with unions or otherwise are involved that will require either consents or permissions to re-use material.

Motion pictures can involve rights by the original screen writer, if rights were retained (Writers Guild),

possible contractual rights held by the director (Directors Guild), rights in the performers – actors or musicians – appearing in the work (Screen Actors Guild or American Federation). Collective bargaining agreements can cover all sorts of technical personnel that contribute to the creation of a film or sound recording.

VI. MORE INTERESTING QUESTIONS – VICARIOUS AND CONTRIBUTORY INFRINGEMENT, LINKING, FRAMING, TRESPASS

Today's web sites present a host of interesting questions involving not only direct infringement but also vicarious and contributory infringement. Linking is an example. A simple link to another's web site is probably not actionable. However one court has held that posting URL or Website addresses known to contain infringing materials could result in contributory infringement. Intellectual Reserve, Inc. v. Utah Lighthouse Ministry, Inc. 1999 U.S. Dist. LEXIS 19103 (D. Utah Dec. 6, 1999). See also RIAA v. Napster (N.D.Cal filed Dec. 7, 1999) (suit based on contributory infringement based on search tool that locates MP3 music files in the Internet. Defendant alleged to be contributory infringer, discussed below.) What about taking a portion of another web-site as a link to the site – such as using photographs from another site as the link? A recent case found it permissible to reproduce the photographs from another site as long as the photos were used to link to the site. See Kelly v. Arriba Soft Corp. , 77 F. Supp. 2d 1999 U.S. Dist. LEXIS

19304 (C.D. Cal. Dec. 15, 1999). This decision is extremely troubling to the copyright bar, and may not be followed.

Aggregation of information from a third party site is also the subject of litigation. Under unfair competition, copyright infringement and "hot news" theories, eBay is challenging the activities of aggregating auction information and offering it on another site. See eBay v. Bidder's Edge (N.D.Cal, filed Dec. 10, 1999). Trespass, breaking and entering, formed part of the basis of the preliminary injunction entered in that case. Thus copyright liability was not as central to the granting of relief.

Reputational and commercial interests are protected by theories other than copyright as well. Liability is also raised by deep-linking, the practice of linking to a particular portion of a third party web site, not to the home page. See Ticketmaster v. Ticket.com (C.D. Cal, filed July 23, 1999) and Ticketmaster v. Microsoft Corp. No. 97-3055 DDP (C.D. Cal filed 4.27.97) Both cases alleged that providing a direct link to ticket purchasing information for events, by-passing the introductory web page with advertising and endorsement information constituted unfair competition.

Framing, the practice of putting third party content on another site with host site has also been the subject of litigation, usually successful. The practice creates the impression that the host has created content which it hasn't, or that it has a relationship with the framed site, when it does not. See, e.g. Hard Rock Café

Int'l v. Morton, 1999 U.S. Dist LEXIS 13760 (S.D. N. Y. Sept. 9, 1999) (company could neither frame nor link to Hard Rock Café site when the sale of merchandise outside its licensed area violated license agreement).

Contributory infringement is the most publicized aspect of copyright liability over the Internet. The concept is not new, only its application in this context. The leading case on contributory liability for copyright infringement (and trademark infringement) is Fonovisa Inc. v Cherry Auction Inc., 76 F. 3d 259, 37 USPQ2d 1590 (9th Cir. 1996). That case involved a swapmeet/flea market called the Cherry Auction. Among its habitual vendors were those who specialized in selling counterfeit CDs of popular Latin music. Fonovisa, the owner of the rights to such recordings, sued Cherry Auction and won on the theory that Cherry Auction, while not a direct infringer, was vicariously and contributorily liable. The vendors who were the direct infringers paid Cherry Auction for their vending space; Cherry Auction had actual notice of the counterfeit nature of the products sold. The Ninth Circuit concluded that Cherry Auction was liable under theories of both vicarious and contributory infringement.

Vicarious copyright liability arose out of a line of Second Circuit cases involving sale of counterfeit records. In Shapiro Bernstein and Co. v. H.L. Green Co, 316 F. 2d 304 (2d Cir 1963), the Second Circuit found the owner of a chain of department stores liable for the infringement of a concessionaire who sold counterfeit records. Under the landlord-tenant line of cases, landlords could be held

liable for the tortious acts of its tenants if the landlord had knowledge of the tortious conduct and control over the premises. In the “dance hall cases”, dance hall operators were held liable for infringing music performances if they could control the premises and obtained a direct financial benefit from the infringing performances. Shapiro concluded that the department store owner had the right and ability to supervise the infringing activity and also a direct financial interest in such activities. The Fonovisa court determined that the attractiveness of the swapmeet was enhanced by the common offering of counterfeit products, so that Cherry Auction received direct benefit both from payment by vendors and increased customer traffic precisely because of the infringing sales. Furthermore, the court found that Cherry Auction regularly patrolled the premises, was aware of repeated raids of the vendors for counterfeit products and had contractual obligations with its vendors which enabled control over the premises of the vendors.

Under a separate, but similar theory of liability, the Ninth Circuit found Cherry Auction contributorily liable for infringement. This theory of liability stems from the notion that one who directly contributes to another’s infringement should be held accountable and a form of enterprise liability. Citing *Gerswhin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F. 2d 1159, 1162 (2d Cir. 1971), the court noted the test of contributory liability:

“[O]ne who, with knowledge of the infringing

activity, induces, causes or materially contributes to the infringing conduct of another, may be held liable as a ‘contributory’ infringer.” See Universal City Studios v. Sony Corp. of America, 659 F. 2d 963, 975 (9th Cir. 1981) rev’d on other grounds, 464 U.S. 417 (1984).

The Ninth Circuit found that not only did the swap meet have knowledge of the infringing conduct, but that it provided the support services needed through space, parking, advertising, customers and so forth to enable what apparently was a small city of counterfeiters, to flourish. The Court concluded that “providing the site and facilities for known infringing activity is sufficient to establish contributory liability” 37 USPQ 2d 1595.

The same concept is before the Northern District of California District Court in A&M Records, et al v. Napster, C-99-5183 MHP, where Napster was characterized by plaintiffs as “an Internet swap meet”. A complete record of the papers in the action is available on the outstanding Recording Industry Association of America website at www.riaa.com/napster. A copy of the music industry’s brief in support of its preliminary injunction motion, filed June 12, 2000, is enclosed with these materials.

The Napster service enables users with music files on their own systems to “trade” them. The Napster software allows file conversion and transfer in a centralized way, as well as an indexing and searching system. The whole function of the service is to traffic in music without the exchange of money for the music.

Napster argues that it is entitled to operate because of the “fair use” doctrine, which could apply in two contexts, both set forth by the Supreme Court in the Sony / Betamax case.

There the Supreme Court determined that if an article of commerce has a use as a staple article of commerce which is not primarily infringing, then the product does not give rise to contributory infringement. In Sony, the Court exempted the makers of the Betamax off the air recording equipment which allowed t.v. viewers to tape broadcast materials. While there was clearly “copying” of the broadcast audiovisual works – motion pictures and television programs – the “copying” the Court found was done as a permissible “time shifting” activity by individual viewers to enable viewing of the broadcasts at a later time.

The argument raised by Napster, whose counsel is now bolstered by the head lawyer for the government in the antitrust action against Microsoft, is that their service enables conduct that is fair use, like the “time shifting” taping exempted from liability in Sony. The District court is scheduled to rule on the issue this Summer.

An analogous case was filed July 20, 2000 against scour.com, which enables sharing of video files. The issues are likely to be parallel, with minor factual changes.

Similar issues are raised in recent litigation brought by movie studios against RecordTV.com (C.D. Cal. Filed June, 2000) The service provides a means to tape television shows. Whether the activity will be viewed

as exempt, like the off-the-air taping in Sony/Betamax, or purely a vicarious or contributory infringement, remains to be seen.

The notion of liability for providing an organized means for unrelated third parties to “share” copyrighted materials has been considered and applied routinely for several years to halt varieties of infringing conduct. These include Playboy Enterprises, Inc. v. Frena 839 F. Supp 1552 (M.D. Fla. 1993) (website that listed and enabled downloading of photographs from Playboy magazine) and Sega Enterprises Ltd. V. MAPHIA 857 F. Supp. 679 (N.D. Cal. 1994) (bulletin board service that sold software for download of video games by fan players liable).

Thus from a copyright law perspective, the unlawfulness of activities such as those that Napster and scour.com engage in appears relatively clear. Whether public opinion will sway the courts’ rulings as it apparently did in the Sony/Betamax case, remains uncertain.

Meanwhile, more overt forms of copying and music sharing have been held to be infringements. Attached is the holding in UMG Recording, Inc. v. MP3.COM OO Civ. 472 (JSR) S.D.N.Y.) May 4, 2000 2000 US Dist LEXIS 57 In that case MP3 purchased CDs and allowed subscribers to download and “share” them. There was no “consumer to consumer” information sharing, as is arguably the case in Napster. The conduct by MP3 was directly analogous to the cases where record stores were liable for selling blank cassettes and allowing customers to use records to make copies on tape in the stores.

Finally, providing means to receive television or cable broadcasts over the internet has also been the subject of litigation. See Twentieth Century Fox Film Corp. v. iCraveTV.com (W.D. Pa) (Toronto tv station that took broadcast signals and streamed the video onto its site enjoined; web site shut down, case settled.

VII. COULD THE CLIENT BE AN ISP?

The Digital Millenium Copyright Act enacted provisions relating to ISP liability which were designed to shield internet service providers from most types of monetary and injunctive relief. At the time – and this was only 1998 – the intention was to protect the conduits of information – the AOL’s of the world -much as telephone companies are shielded from liability for libelous statements made over their wires.

In practice, however, portal after portal has evolved which provides its own content as well as provides a conduit for third party information. E-Bay is a classic example. Such portals fit within the definition of a “service provider”: “ the term ‘service provider’ means an entity offering the transmission, routing, or providing of connections for digital online communications, between or among points specified by a user, of material of the user’s choosing, without modification to the content of the material as sent or received” . 17 U.S.C. Section 512 (k) (1) (A). If a client’s activities on its web site entitle it to “service provider” status, the client must comply with the provisions of Section 512 (a) – (d)., must institute notice

and take down provisions and must register as a Service Provider with the Copyright Office.

Note that further provisions of the Digital Millennium Copyright Act prohibit circumvention of copyright protection systems or the selling of products that circumvent, including software. 17 U.S.C. Section 1201-1205. These anti-circumvention provisions are much broader than the copyright infringement protections and theories of liability arising from contributory infringement. Thus software that does not infringe a work, but enables the disabling of anti-copy mechanisms, is a violation. The courts show every sign of vigorously enforcing these anti-circumvention provisions. See Universal City Studios Inc., v. Reimerdes (00 Civ. 0277 (LAK) S.D. N. Y. February 2, 2000 (software that enabled cracking of DVD format security codes – the CSS Content Scramble System – held to violate anti-circumvention provisions; copy of opinion enclosed); Realnetworks, Inc. v. Streambox, Inc., W.D. Washington December 20, 1999) (software that permitted copying of broadcast content violated Section 1201(b); preliminary injunction entered. Thus a web site which simply provides the capacity to download software or music, or creates the ability to unlock protected DVD's or software, will result in liability under the anti-circumvention provisions. Even conduct classified as "fair use" under Sony Corp. of American v. Universal City Studios, Inc. 464 U.S. 417 (1984), which condoned off-the-air videotaping as a fair use, would incur liability if any sort of anti-cumvention process were involved in the activity. It bears repeating: there is NO fair

use defense in anti-circumvention and copyright management information interference cases, although the Copyright Office is to hold hearings on the subject.

VIII. CONCLUSION

The Internet is an Eldorado, but content is no more free there than in the Old World. No easy way exists to clear content for web sites. It is laborious and time-consuming to clear all the individual rights. The best solution is always to create all the content up-front. The next best solution may be to partner with existing rights holders such as licensing agencies, motion picture studios and like entities that would tend to have already the full scope of rights needed for the project, or the bargaining clout to get the rights. Finally, another practical solution is to use images and other works from stock photo houses, clip-art products and like sources that are able to license uses for multi-media purposes.

Concepts of contributory liability , service provider status and anti-circumvention liability are new in the mix of today's linking, streaming web sites. As counsel, it is essential to keep an open mind and consider the traditional Old World permissions and ownership issues and the Eldorado of New World liability.

List of Cases Cited

_____ v. iCraveTV.com
Ahn v. Midway Mfg., 965 F.Supp. 1134 (N.D. Ill. 1997)
(5.28.97)
Aldon Accessories Ltd. v. Spiegel, Inc., 738 F.2d 548
(1984)
Ashton-Tate v. Ross, 916 F.2d 516 (9th Cir. 1990)
Astaire v. Best Film & Video Corp. __ F. 3d __; 43 USPQ2d
1128 (9th Cir. 1997) (6.20.97)
Baltimore Orioles Inc. v. Major League Baseball Players
Ass'n, 805 F.2d 663 (7th Cir. 1986)
Bartsch v. Metro-Goldwyn Mayer, Inc., 391 F.2d 150 (2d
Cir. 1968)
Community for Creative Non-Violence v. Reid, 490 U.S.
730 (1989)
eBay v. Bidder's Edge (N.D.Cal, filed Dec. 10, 1999)
Hard Rock Café Int'l v. Morton, 1999 U.S. Dist LEXIS
13760 (S.D. N. Y. Sept. 9, 1999)
Intellectual Reserve, Inc. v. Utah Lighthouse Ministry, Inc.
1999 U.S. Dist. LEXIS 19103 (D. Utah Dec. 6, 1999)
Kelly v. Arriba Soft Corp. , 1999 U.S. Dist. LEXIS 19304
(C.D. Cal. Dec. 15, 1999)
Midler v. Ford Motor Co. 849 F.2d. 460 (9th Cir. 1988)
cert. denied 503 U.S. 951 (1992)
Miller v. CP Chemicals, Inc., 808 F.Supp. 1238 (D.S.C.
1992)
Napoli v. Sears, Roebuck and Co., 874 F.Supp. 206 (N.D.
Ill. 1995)
National Football League Properties Inc. v. Playoff Corp.

808 F.Supp 1288; 25 USPQ2d 1788 (N.D. Texas 1992)
Playboy Enterprises, Inc. v. Dumas, 53 F.3d 549 (2d Cir. 1995)
Playboy Enterprises Inc. v. Dumas 960 F.Supp.710; 42 USPQ2d 1511 (S.D.N.Y. 1997) (3.25.97)
Realnetworks, Inc. v. Streambox, Inc., W.D. Washington December 20, 1999
Respect Inc. v. Committee on the Status of Women, 815 F.Supp. 1122 (N.D. Ill. 1993), *motion granted*;
821 F.Supp. 531 (N.D. Ill. 1993).
Rey v. Lafferty, 990 F.2d 1379 (1st Cir. 1993)
RIAA v. Napster (N.D.Cal filed Dec. 7, 1999)
Roadrunner Computer Systems, Inc. v. Network Solutions, Inc. (Civ. No. 96-413-A E.D. Va., filed March 26, 1996).
Sony Corp. of American v. Universal City Studios, Inc. 464 U.S. 417 (1984)
Subafilms Ltd. v. MGM-Pathe Communications Co. 988 F.2d 122 (9th Cir. 1993) vacated in part, 24 F.3d 1088 (9th Cir. 1994)
Ticketmaster v. Microsoft Corp. No. 97-3055 DDP (C.D. Cal filed 4.27.97)
Ticketmaster v. Ticket.com (C.D. Cal, filed July 23, 1999)
Universal City Studios Inc., v. Reimerdes (00 Civ. 0277 (LAK) S.D. N. Y. February 2, 2000
Waits v. Frito-Lay, Inc. 978 F. 2d 1093; 23 USPQ2d 1721 (9th Cir. 1992)
White v. Samsung Electronics America, Inc. 971 F. 2d 1395 (9th Cir. 1992)