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*Practice Group:*  
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## Copyright in the Courts: Notable Developments and Emerging Trends

By J. Michael Keyes

Like all areas of intellectual property, the U.S. copyright laws continue their evolution to adapt to technological advances and new markets for works of authorship. Our federal courts have been busy dealing with a myriad of interesting and novel copyright disputes as of late. This article discusses some of the most recent developments in the world of copyright including:

- Injunctions in copyright cases
- Proving actual damages under the Copyright Act
- Online infringement and personal jurisdiction
- Attorneys' fee awards
- Termination of transfers under Section 203

### The “Presumption of Irreparable Harm” in Copyright Cases Is

**Fading—Quickly.** Until recently, when a copyright plaintiff could show a “likelihood of success” in prevailing on an infringement claim at the preliminary injunction stage, it was typical for a court to “presume harm” and enter appropriate injunctive relief. There has now been a paradigm shift in the lower federal courts in the wake of the U.S. Supreme Court’s decision in *eBay v. MercExchange*, 547 U.S. 388 (2006) and its progeny. In *eBay*—a patent case—the Court held that it was error for the Federal Circuit to hold that injunctions should automatically issue in patent cases upon a showing of likely success on the merits. Since then, the lower courts have begun to question the “presumption of harm” traditionally invoked in copyright disputes as well. Most recently, the Ninth Circuit Court of Appeals has weighed in, pronouncing that there is no longer a “presumption of irreparable harm” in copyright infringement cases. See *Flexible Lifeline Systems v. Precision Lift, Inc.*, 654 F.3d 989, 996 (9th Cir. 2011) (holding that “under *eBay*, a presumption of irreparable harm is equally improper in a case based on copyright infringement as it is in a case based on patent infringement”). *Flexible Lifeline* followed on the heels of the same holding by the Second Circuit Court of Appeals in 2010. See *Salinger v. Cotling*, 607 F.3d 68 (2d Cir. 2010). The next time you launch or face a preliminary injunction motion in a copyright case, you will want to assess whether the “presumption of irreparable harm” is still viable in your Circuit.

### Proving Actual Damages in a Copyright Case—The “Hypothetical

**License” and a Billion Dollar Lesson.** The U.S. Copyright Act provides for a variety of economic recoveries as part of the remedial nature of the statute. One type of recovery is “actual damages” attributable to the infringement. See 17 U.S.C. § 504(b). Courts in the Ninth Circuit and elsewhere have generally embraced two theories for proving these types of damages. The first is a “lost profits” calculation. But lost profits can be difficult to establish, particularly in situations where outside forces such as an economic downturn may truly be the causal culprit behind the plaintiff’s drop in sales. The second is “lost licensing revenue” based on a “hypothetical negotiation” between what a willing licensor and a willing licensee would have agreed to with respect to the work in

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question. For example, suppose the plaintiff can establish to the fact finder's satisfaction that plaintiff would have been willing to license its software program to defendant for \$1,000,000 and defendant would have accepted this offer. If so, then that figure represents plaintiff's "actual damages" because it was deprived of that licensing fee when defendant simply copied the work instead of taking a license. The hypothetical license approach sounds easy enough, but it is fraught with potential peril. Enter *Oracle v. SAP*, 2011 WL 3862074 (N.D. Cal. 2011).

In *Oracle*, plaintiff claimed that it was entitled to a \$1.3 billion "licensing fee" for defendant's infringement of several Oracle software programs. The jury agreed and awarded Oracle \$1.3 billion in actual damages. From the trial court's perspective, though, the evidence did not support this award. So the trial court gave Oracle the option to either accept a remittitur (slashing the award by over a billion dollars), or a new trial on damages. According to the trial court, the evidence was insufficient because of the absence of two key pieces of evidence. First, there was no evidence that established a past pattern by plaintiff of licensing the software in question. In fact, the evidence showed just the opposite: that Oracle would *never* have licensed the software at issue to SAP. Thus, according to the court, Oracle could not be a "willing licensor" and the whole construct of a "hypothetical license" simply did not fit the facts. Second, the trial court also found that there was insufficient evidence of "benchmark licenses"—comparable licenses that could be used as benchmarks to arrive at the economic value of the "hypothetical license." Instead, Oracle executives testified that this hypothetical license would have been "unique" and "unprecedented."

This case is a good reminder that when one is attempting to obtain actual damages under the Copyright Act, the hypothetical negotiation paradigm does not necessarily apply wholesale to any set of facts simply because defendant has infringed plaintiff's work of authorship.

**Personal Jurisdiction—The Long Arm of the Ninth Circuit.** The courts of the Ninth Circuit continue to expand the notion of personal jurisdiction over defendants who commit alleged acts of infringement over the internet. See *Mavrix Photo, Inc. v. Brand Technologies, Inc.*, 647 F.3d 1218 (9th Cir. 2011); *Elmo Shropshire v. Canning*, 809 F. Supp. 2d 1139 (N.D. Cal. 2011). In *Mavrix*, the Ohio-based defendant—a purveyor of a celebrity gossip website aptly named *celebritygossip.net*—was sued in California for alleged infringement of some photos that were copied and placed on the website. The defendant moved to dismiss the case for lack of personal jurisdiction and the trial court granted the motion. The Ninth Circuit reversed. In so doing, the court noted that there were sufficient facts to show that defendant had "purposefully availed" itself of the privilege of conducting business in California. For example, defendant had California-centric advertising on the site. Moreover, the content of the gossip site itself had a "specific focus on the California-centered celebrity and entertainment industries." *Mavrix*, 647 F.3d at 1230. Accordingly, the court concluded there were sufficient facts showing purposeful availment "[b]ased on the website's subject matter, as well as the size and commercial value of the California market, we conclude that Brand anticipated, desired and achieved a substantial California viewer base" that was "an integral component of [defendant's] business model and its profitability." *Id.*

*Elmo Shropshire* is an interesting case dealing with extraterritorial jurisdiction under the Copyright Act. In this case, plaintiff is the copyright owner to the wildly popular holiday staple "Grandma Got Run Over by a Reindeer." A group of Canadian singers made a video recording of the "Grandma" song in Canada. Apparently pleased with their artistic accomplishment, the singers then uploaded the Grandma video to *youtube.com* and were soon thereafter sued for copyright infringement in California. The defendants moved to dismiss claiming there was no subject matter jurisdiction because the alleged acts of infringement took place wholly outside of the U.S. The trial court ultimately rejected that claim holding that the act of uploading the video "to YouTube's California

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servers for display in the United States after agreeing to YouTube's Terms of Service agreement" was sufficient to defeat plaintiff's 12(b)(1) motion to dismiss. *Elmo Shropshire*, 809 F. Supp. 2d at 1146.

### **Attorneys' Fees Awarded to Defendants Under the Copyright Act—An Evolving Trend?**

In the last year, there have been no fewer than three separate cases handed down by courts situated throughout the country where the defendants were awarded fees for the successful defense of the copyright infringement claim. See *Brownmark Films LLC v. Comedy Partners*, 101 USPQ2d 1241 (E.D. Wis. Nov. 30, 2011); *Pollick v. Kimberly-Clark Corp.*, 2011 WL 4434629 (E.D. Mich. Sept. 23, 2011); *Stern v. Does*, 2011 WL 997230 (C.D. Cal. Feb. 10, 2011). In two of those cases (*Brownmark* and *Stern*), the courts expressed particular displeasure with the plaintiffs for their alleged failures to take into account the merits of the prospective fair use defenses that the defendants would likely assert. These recent decisions counsel that it is not enough to simply assess the merits of your own case before filing, but one also needs to be attentive to the likelihood of success by the defendant on a potential "fair use" defense as well.

### **Termination of Copyright Transfers—A Preview of Things to Come?**

Section 203 of the 1978 Copyright Act provides the ability of certain authors to rescind the transfer of a work of authorship "at anytime during a period of five years beginning at the end of thirty-five years from the date of execution of the grant." See 17 U.S.C. §203(a)(3). What this means is that starting in 2013 (35 years after the enactment date of the 1978 Copyright Act) there may be a number of authors providing termination notices to the current copyright owners of works that were transferred back when bell bottoms and platform shoes were still popular (the first time). Litigation is certain to ensue over the scope of Section 203 and whether a terminating transferor is eligible to recover the copyright in the work of authorship. That's exactly what happened in a recent case involving Mr. Victor Willis, the original lead singer of the gaudily-clad 1970s band "The Village People." Mr. Willis purported to terminate the transfer of the iconic disco days smash hit "Y.M.C.A." and 32 other compositions he allegedly co-authored with his brethren in "The Village People." The current owner of the publishing rights to those compositions sued for declaratory judgment claiming that Mr. Willis' termination notice was not effective because, among other things, these songs are "works made for hire" and not all of the co-authors joined in the termination in any event. The trial court heard oral argument in March 2012 but has yet to issue a decision. The case is *Scorpio Music S.A. v. Willis*, filed July 14, 2011 in the U.S. District Court for the Southern District of California, Case No. 3:2011cv01557.

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