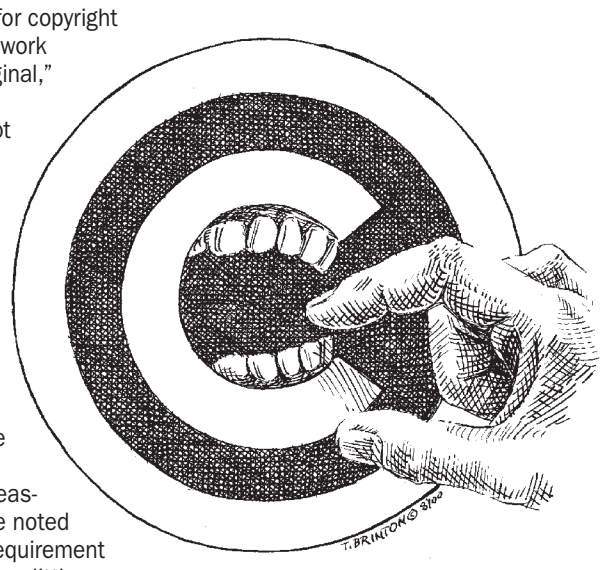
Daily Journal

How 'Thin' Is Your Copyright?



To be eligible for copyright protection, a work must be "original," which means that it was not copied and it exhibits a minimal amount of creativity. The Supreme Court in *Feist Publications v. Rural Telephone Service Co.*, held that the degree of creativity necessary for copyright protection is "extremely low," so the vast majority of works make the grade quite easily. Several courts have noted that, in practice, the requirement of originality has become little more than a prohibition against actual copying. While the minimum level of creativity is extremely low, just meeting the bare minimum may entitle the work to only "thin" copyright protection, which prevents virtually identical copying. For these works, the range of possible expression is narrow, driven more by the limitations of the medium or the subject matter.

The Ninth Circuit in *Satava v. Lowry,* addressed the scope of copyright protection available to a glass-in-glass jellyfish sculpture created by Richard Satava. A glass-in-glass sculpture is a glass sculpture (here, a lifelike glass sculpture of a jellyfish) that has been dipped into molten glass, which encases the sculpture in a solid outer glass shroud. The Ninth Circuit found that Sativa could not assert a copyright over typical features of a jellyfish such as tendril-like tentacles, or the standard shapes and proportions used in glass-in-glass sculptures. These elements were so commonplace that to recognize copyright protection would give Satava a monopoly on lifelike glass-in-glass sculptures of jellyfish. In general, copyrights are intended to protect expressions of an idea, not the naked idea in and of itself. The Ninth Circuit noted, however, that Satava may have made some copyrightable contributions, such as the distinctive curls of particular jellyfish tendrils. To the extent these choices were not governed by jellyfish physiology or the glass-in-glass medium, Satava's sculpture could be entitled to "a thin copyright that protects against only virtually identical copying."

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The scope of thin copyrights was also discussed by the Ninth Circuit in *Ets-Hokin v. Skyy Spirits Inc.*, with respect to photographs of a blue vodka bottle. Ets-Hokin had taken a series of photographs of Skyy's blue vodka bottle for use in a marketing campaign. Ets-Hokin retained the rights to those photographs, and Skyy only had a license to use the photographs. Apparently dissatisfied, Skyy later hired other photographers to take similar photographs of the same bottle for its marketing materials. Ets-Hokin then sued Skyy for copyright infringement.

In an earlier appeal regarding whether Ets-Hokin's photographs were eligible for a copyright, the Ninth Circuit held that the photographs were "sufficiently creative, and thus sufficiently original, to merit copyright protection." On remand, the district court granted summary judgment of no infringement, which Ets-Hokin appealed. For this second appeal, the Ninth Circuit rhetorically asked how many ways one can create a "product shot" of a blue vodka bottle, and concluded "there are not very many."

Although the Ets-Hokin photographs and the accused Skyy photographs were similar, the court found that the similarity resulted from the shared idea of photographing the Skyy bottle, and an idea, in and of itself, is not protected by copyright. The court noted that the photographs differ in as many ways as possible within the conventions of a commercial product shot, and that the only constant was the bottle itself. After subtracting the unoriginal elements from the photographic work, Ets-Hokin was left with a "thin" copyright that would prevent only virtually identical copying. The Ninth Circuit then affirmed the district court's grant of summary judgment because the allegedly infringing photographs were not "virtually identical."

In both *Satava* and *Ets-Hokin*, only "thin" copyright protection was available because apparently, only the minimum level of creativity was present. The range of possible expressions for each, whether sculpting jellyfish in glass or photographing a vodka bottle, was driven more by the limitations of the medium or the subject matter. Nonetheless, a thin copyright is still enforceable against virtually identical copying.

Virtually identical copying need not be exact, and may be found when there are slight differences. For example, in *L.A. Printex Industries, Inc. v. Global Gold, Inc.*, which involved floral patterns for clothing, the defendant moved to dismiss the claim for copyright infringement because of the differences between the plaintiff's "thin" copyright and the accused designs, such as the shape of the flower petals. The court, however, found that there were many "striking" similarities. Both contained flowers of five or six different sizes that were clustered and arranged in a similar fashion, as well as nine-petaled flowers. The court held that a reasonable observer could find these particular flower representations to be "virtually identical," and denied the motion to dismiss the copyright claim.

In *Express, LLC v. Fetish Group, Inc.*, the scope of virtually identical copying for a thin copyright on summary judgment was addressed. Express was accused of violating Fetish's copyright for a camisole having scalloped lace edging and a three-flower embroidery design below the right hip. The court first sought to identify the elements in which Fetish could claim a copyright. The placement of lace trim and the use of cut-out lace flowers were found to be "standard elements" of camisoles, such that it would be "a disservice to creativity" to allow Fetish a monopoly on their use. The court, however, did find that the floral embroidery design established "some small amount of creativity beyond the standard combination of standard elements" because the design did not represent the only way that stems and leaves can be depicted. Accordingly, Fetish was entitled to "thin" copyright protection against virtually identical copying.

To prevail on its motion for summary judgment of copyright infringement, Fetish had to establish that there was no genuine issue of fact that Fetish's and Express' camisoles were "substantially similar." To determine substantial similarity, the Ninth Circuit uses both an extrinsic test and an intrinsic test. The extrinsic test focuses on several objective criteria, while the intrinsic test asks whether the ordinary, reasonable person would find the total concept and feel of the works to be substantially similar. Although the intrinsic test is a subjective test that is often not amenable to summary judgment, where the works are so "overwhelmingly identical" that the possibility of independent creation is precluded, there would be no genuine issue of fact raised by the intrinsic test.

The court found that Fetish's and Express' camisoles were "virtually identical" because the slight discrepancies between them were eclipsed by the almost total likeness in the arrangement and placement of the two designs on the garments, and granted summary judgment. This suggests that the "virtually identical" standard for a thin copyright may be comparable with the "overwhelmingly identical" standard for granting summary judgment under the Ninth Circuit's intrinsic test for copyright infringement. Thus, infringement of a thin copyright may present an almost binary question for summary judgment.

Time for Alternative Fee Arrangements

BigFirm partners are anxious about their firm's futures and their individual status, ranging from preserving income shares, to remaining partners, to keeping a job. Anything that suggests reduced delivery of revenue to the firm by shortfalls to partners' expected quota of billable hours or targeted hourly rates is toxic. The rule of survival branded on partners today is simple: deliver hours and rates, or suffer the consequences of reduced income, de-equitization, or forced departure.

In general, even equity partners have no independent authority in BigLaw firms to create their own alternative fee arrangements. Typically, select partners in a BigLaw firm are empowered to review and make decisions regarding alternative fee arrangements. The process has been centrally reviewed and scripted. Everything other than standard rates and hours arrangements must go through them for approval.

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Alternative fee arrangements have previously been limited to situations where a firm may otherwise lose a client, pursues business it strategically wants, or presented so little risk that there was significant likelihood of a windfall to the firm. In the salad days of BigLaw, that was infrequent, and clients faced a "take it or leave it" proposition with little opportunity for a materially better deal across the street. Hourly rates among "peer" firms were comparable. If the client was not perceived by management as essential to the present and future law firm, the partner may very well be denied the request to establish an alternative fee arrangement because there was neither the time available nor inclination within firm management to spend the effort to retain the client. "If they don't want to pay, they can go elsewhere."

Raising the issue of alternative fee arrangements was often perceived as a weakness in the ability of the relationship partner to deliver the type of client and work that the firm sought to define itself as serving; "as many hours as it takes and at whatever rates we can command." This is not defensible, but it is the way it has been. In-house and outside counsel must together break through this barrier to establish a new value delivery model for legal services.

Recognize that when approaching the firm for an alternative fee arrangement discussion, the General Counsel does it through the relationship partner. There are consequences to the relationship partner once the process begins, so how does the General Counsel get started working with the relationship partner to embrace a redesign of the economics of the delivery of legal services to provide the client better value?

The client has to make the starting proposal. If the General Counsel goes to the partner for assistance in crafting it, the client may get some help. Indeed, the relationship partner may enthusiastically see the wisdom and mutual benefit of doing something together. However, this has been perceived by BigFirm management as being asked to negotiate against themselves. They have an arrangement they are satisfied with, and therefore, do not see the benefit of using a different approach unless it is guaranteed to be even better than what they already have. That kind of income guarantee to the law firm is not what has brought the client to the negotiation table.

Thoughtfully determine what the client wants, bring it to the relationship partner, do some groundwork to shape it (as she should know what the managing partner, who controls the intake of alternative fee arrangement matters, is willing to do), and then make the proposal formally, meeting with both the relationship partner and the alternative fee arrangements "intake" partner.

Support the firm and the relationship partner. But to get what the client wants, be prepared to do more than speak words. Be prepared to take action. The power to make the deal desired by the client derives from the power to walk away from the deal offered to but not wanted by the client. If the client cannot get what it wants from the firm, take it to a firm with well qualified lawyers who "get it" and who will do it. If the client has not worked that option through in advance, you could be wasting your time.

The client may need to be prepared to empower its relationship partner to move to a firm that "gets it" and will support your alternative fee arrangement service/value proposition. It reminds one of the movie *Casablanca*, where Humphrey Bogart has two gentlemen on the couch and announces that he is going to pistol whip both of them until he gets what he wants, which means that one of them is going to take a beating for nothing! That may sound tough, but without it, you are only working with words and so far, for clients, that just has not delivered results from BigLaw firms.

As General Counsel, you know the client's business and the legal service needs better than anyone. Your relationship partner has his professional survival intimately tied to the client. Calculate that for every $100,000 of fee payments you channel through them, or redirect elsewhere. The relationship partner is personally impacted by at least $35,000. Relationship partners want to help the client. But they need some help from the General Counsel to get it done. Work together to succeed. Sit down, off the meter, for a frank discussion around how the client might measure the value proposition. How does the General Counsel determine "value?" What is the outcome of the effort worth for a transactional or litigation matter? What is the relationship partner's direct contribution to the outcome and what is that worth? (You need to reflect on that one before the meeting!) What are the law firm's costs in obtaining and completing the matter; do they have the right cost structure to be able to afford to deliver a meaningful alternative fee arrangement for the client? If not, what can be done to change that? What value added does the client bring to the firm by simple virtue of being a client?

An annual spend of $2,000,000 or more should command the attention to get what the client wants without moving to another firm in this market. An annual spend of $1 million should be enough for an alternative fee arrangement, though perhaps not entirely to your desire, it almost certainly would command a move of the relationship partner to a different firm that would accommodate the client's needs; firms where that is a quarter to a third of what an equity partner is expected to deliver annually to meet the expectations of the firm to retain their partner status. A partner who loses that size of a business will be materially impacted with the loss of the account. Just be aware of that consequence, because it is real and immediate.

People lose their jobs in law firms when such business is relocated. A spend of $250,000 to $500,000 may command some change, but may not be enough to cause the relationship partner to relocate, unless she has other strong client loyalties that will follow a move. Be prepared for a BigLaw firm to reject the alternative fee arrangement when spending less than $250,000, which also places the relationship partner at risk of a pay cut. Presently, this is often not enough business to "move the needle" for the firm to keep you as a client, though it can result in significant harm to the relationship partner.

The rule of survival branded on partners today is simple: deliver hours and rates, or suffer the consequences of reduced income, de-equitization, or forced departure.

Before you get too concerned about the relationship partner, do consider that part of the gambit played by BigLaw firms over the past 15 years in their annual raise of rates and hours has been to force their relationship partners to push increases down the throats of clients to generate higher revenues. Relationship partners who delivered the rates were rewarded. Relationship partners who could not deliver took pay cuts (Whether the client remained a client at lower rates, or moved to firms that were priced more attractively). Some partners were confronted deliberately by BigLaw management with the choice of watching their client base erode under pressure of higher rates, until their ability to retain their partnership status was lost, or leave the firm while they still had client relationships of value to obtain a position in a new law firm that appreciated the business and provided alternative arrangements/lower rates that the client needed.

The situation is difficult all around. Everybody is hurting. Opportunity exists now to seize initiative and address your needs. Efficient delivery of legal services by highly qualified professionals is available. IF the firm you are working with does not give you what you need, there are firms and lawyers that will, and you just need to get one that does. Once that catches on as the new paradigm, change may come to you from law firms where superior client service at a better value becomes as much a part of the law as it has been a part of business.

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