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ANNUAL INTELLECTUAL PROPERTY LAW REVIEW BANQUET SPEECH

THREE CASES: A PRACTITIONER'S LIFE IN COPYRIGHT

MARY JANE SAUNDERS*

When Professor Murray called and asked me to speak to this illustrious group, she mentioned that you might like to hear my observations about how IP law has evolved over the course of my career and a little bit about my career itself. It is always nice when someone hands you the speaking topic, so I quickly agreed. Then I realized that I have been a lawyer since the early '80s—longer than some of you have been alive. That is a lot of law to cover. I have also had a pretty unusual career, first as a trade association lawyer, then in private practice, and now as general counsel for an advertising fund serving a huge quick-service restaurant chain. The issues I have had to deal with have been both cutting edge and incredibly mundane. Most of what I know about IP law, I learned on the job. I did not know how to distill it all down for you. Suddenly, I was depressed.

Nevertheless, life is tough and sometimes you get a big dose of bad stuff to deal with. I mean, Marquette's basketball team did not advance to the Sweet 16, and tonight, instead of watching more basketball on television, all you smart law review types have to listen to me, a mere sandwich lawyer, talk about my career and the evolution of IP law.

When I realized that you were sacrificing your Friday night to be here, I knew that I should at least try to prepare a halfway decent presentation, so I started thinking about what to say. Of course, for me, thinking about a presentation and actually putting one together are not always the same.

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I was waiting for that “aha” moment. You know—the sudden inspiration that causes the words to just flow onto paper in complete, coherent sentences. I wish that I could say that I have “aha” moments all the time, but sadly, I sometimes have to search for them. Luckily, I travel a lot, and traveling gives me a lot of time to think and read. I should explain that when I am in airports and on planes, I do not do legal work. There is too much risk that others will listen to your conversations or try to read what you are writing or reading. So instead of doing real work, I read magazines and newspapers. Reading the newspaper is actually a habit I picked up in law school. It helped me to remember that the real world still existed as I struggled to understand “The Rule in Shelly’s Case,” and the whole concept of “penumbras” emanating from various portions of the Constitution. Keeping up with the news actually matters even more to me today. I work for a company that has agreements with some well-known sports figures so I need to read the sports page. Like everyone else, changes in the economy affect my company, which means that I also have to pay attention to business news.

On this particular day, I picked a copy of *Newsweek* instead of a newspaper. I admit that I bought the magazine to read the article about Barbie turning 50, but the article only put me back into a funk. I mean, I am not much older than Barbie is, but you never see her accessorizing her outfits with reading glasses, as I have to do these days.

Luckily, there was another article in the magazine about a new book on *Marbury v. Madison*.¹ Did you know that we just passed the 206th anniversary of *Marbury v. Madison*? Like everyone here, I read this case in law school, but I had actually forgotten why this case is “the most important decision the Supreme Court—and perhaps any court — has ever issued.”² It was the first time the Supreme Court struck down an act of Congress. It was also the case in which Chief Justice Marshall said quite eloquently that “[i]t is emphatically the province and duty” of the courts “to say what the law is.”³

There it was—my “aha” moment. I started thinking about what the Supreme Court has said about IP law over the course of my career as a lawyer and how those decisions have influenced or affected my career.

1. CLIFF SLOAN & DAVID MCKEAN, *THE GREAT DECISION: JEFFERSON, ADAMS, MARSHALL, AND THE BATTLE FOR THE SUPREME COURT* (2009).

2. Cliff Sloan & David McKean, *Why Marbury v. Madison Still Matters*, *NEWSWEEK*, Mar. 2, 2009, at 49.

3. *Marbury v. Madison*, 5 U.S. 137, 177 (1803).

While there have not been a huge number of IP decisions from the Supreme Court, there have certainly been enough for me to keep you here for hours. Imagine that—hours of IP law from a sandwich lawyer on a Friday night.

Of course, then I remembered that Professor Murray stressed that I should be BRIEF. No more than twenty minutes, Mary Jane. She said it twice, so I guess she meant it. With Professor Murray's instruction in mind, I have decided to spare you hours of agony by limiting my remarks to a few copyright decisions from the Supreme Court—the ones that I believe have had a lasting impact on our world or have actually proven quite important or highly useful to know about in my practice. Do not worry; I am only going to talk about three cases. Yes, only three cases. So, if you are the poor soul who has to cite check this speech later on, your job will not be impossible.

The first case is *Sony Corporation of America v. Universal City Studios, Inc.*, a case commonly known as the Betamax case.⁴ The case was before the Ninth Circuit when I was in law school. One of my professors gave us an assignment to write about manufacturers' liability for copyright infringement. It was a legal writing course, not an IP course. They did not even offer IP classes when I went to law school. Like a lot of the issues I have faced over the years, I had to learn copyright law, trademark law, and even patent law on the fly.

I may not have been the brightest law student, but remember, I read the newspaper every day. That is how I figured out that he was asking us to write about a real case. Real cases have real briefs, so I called up the lawyers and asked for them. Universal's lawyers said that I could have them, but I would have to pay. When I shared that bit of information with Sony's counsel, they shipped the whole case file to me at no charge. Needless to say, while the paper I submitted was original to me, I sided with Sony in terms of my arguments.

The Supreme Court also sided with Sony. The Court ruled that copying television programs for purposes of time-shifting does not constitute copyright infringement, but is fair use. The Court also ruled that copyright owners could not hold manufacturers of home video recording devices liable for infringement. At the time, I thought that the Supreme Court's decision was a bit results oriented, but I have come to see that the decision has had a lasting impact on our world. First, by freeing manufacturers of home recording devices from claims of

4. 464 U.S. 417 (1984).

infringement, the Supreme Court cleared the way for the development of other copying technology. Without this decision, you probably would not have an iPod or a DVR to record tonight's NCAA games. You might not even have the laptop you use every day, and I might not have the combination printer, scanner, fax machine I rely on. These devices might still exist, but they would be cost-prohibitive for the average consumer. The second reason this decision is important is because it caused a sea change in the movie and TV industries. The studios started producing copies of movies and TV shows on VCR tapes and then DVDs. We would not have the phrase "straight to video" without *Sony v. Universal*. The decision prompted the development of a whole new industry for pre-recorded material. Without the Betamax decision, there would be no Blockbuster, Netflix, or iTunes.

The Betamax case spawned other decisions about the metes and bounds of copyright protection. It kept me busy as a trade association lawyer dealing with issues like establishing originality with computer programs and addressing software piracy issues in the courts and with Congress. Instead of telling a bunch of boring old war stories, however, I would like to focus on a case that I turn to time and again—a case about copyright ownership. *Community for Creative Non-Violence v. Reid*⁵ is a case that people forget about, but believe me, forgetting this case is a big mistake when you are in practice.

The Community for Creative Non-Violence ("CCNV") was a Washington, D.C. based group that worked with the homeless populations of that city. James Reid was a sculptor and, from what I understand, he had kind of a prickly personality. CCNV asked Reid to create a sculpture of a homeless nativity scene—a father, mother, and baby on a box on a steam grate. They asked him to inscribe "still no room at the inn" at the bottom. CCNV offered to raise money for Reid's fees and sculpting materials. However, they did not raise enough, so while they paid him the negotiated fee, he had to make the sculpture out of Plaster of Paris. It was a handshake deal. He delivered the sculpture to CCNV, they paid him, and then they got into a fight. You see, CCNV moved the sculpture around a lot and because it was a plaster of Paris sculpture, a foot broke off. CCNV brought the sculpture back to Reid and asked him to repair it. Reid got mad at CCNV for not taking good care of his work, so while he fixed the foot, he refused to give it back to CCNV. Soon, CCNV and Reid were filing competing

5. 490 U.S. 730 (1989).

copyright claims over the sculpture.

The District Court held that the statue was a “work made for hire” belonging to CCNV; the Court of Appeals reversed. The case made it all the way to the Supreme Court on the question of whether the making of a sculpture for an organization by someone who contracts with the organization but is not an employee is a “work made for hire.” In a 9-0 decision, the Supreme Court held that the statue was not a “work made for hire” under the Copyright Act of 1976. The work-for-hire doctrine actually only applies to two categories of people: employees, or contractors for nine specific types of work where there is a written acknowledgment that the contracting party will own the copyright. Because Reid was not a CCNV employee, he was an independent contractor, and because there was no written agreement between Reid and CCNV giving CCNV ownership of the copyright in the work, CCNV owned the copy, but Reid owned the copyright.

This is a case you want to remember, because while most IP lawyers understand the rationale behind the work for hire provisions of the Copyright Act—Congress was trying to level the playing field between individual artists and contracting parties by putting the onus on the contracting party—the decision is completely counter-intuitive to most business people and non-IP lawyers. How many times have I heard, “what do you mean I do not own the copyright? I paid it for it!” Lay people and non-IP lawyers just do not get it. A client will spend hundreds of thousands of dollars on software development, but because the agreement with the programmer does not have work for hire or copyright assignment language, the programmer, not the client, owns the program.

I know a lot about this case because one of my former law partners, the exceedingly handsome and very intelligent⁶ Josh Kaufman, argued and won it before the Supreme Court. I have had the honor and privilege of working with Josh on some pretty interesting copyright litigation. We worked together on questions ranging from copyright protection for nursing manuals to whether news aggregators like Google News may copy story leads and produce thumbnails of news photographs without infringing third party copyrights. What Josh taught me is that whether the case involves new technology or not, you cannot ever forget fundamental issues like copyright ownership, especially when you are defending someone against a claim of copyright

6. Josh told me to say that.

infringement. You would be surprised how many times a defendant can avoid a finding of infringement just by digging into the ownership question.

The last Supreme Court case I want to talk about is *Fogerty v. Fantasy, Inc.*⁷ Again, this is a case that I have used to great advantage. John Fogerty was the lead guitarist and chief lyricist for Creedence Clearwater Revival, the group that brought you many timeless rock-and-roll classics, including *Proud Mary*, *Born on the Bayou*, *Bad Moon Rising*, and *Have You Ever Seen the Rain*. Creedence Clearwater Revival received induction into the Rock and Roll Hall of Fame in 1993.

The Fogerty case is about my all-time favorite Creedence song—a little Swamp Rock ditty called *Run Through the Jungle*, which Fogerty wrote in 1970. Many people think that this song is about the Vietnam War and the extreme emotion nine years of United States active combat brought to this country, but Fogerty has said that the song is actually about gun control. He thought that Americans were simply too gun-happy.

I would describe *Run Through the Jungle* as a litigation-happy song. Creedence Clearwater Revival broke up in 1972 because the other members did not think Fogerty was giving them enough voice as artists and was cutting them out of financial decisions. He was apparently a bit of a control freak. After the band broke up, Fogerty got into a bunch of contract disputes with Fantasy, the band's record label. To settle the disputes and get out from under his contract obligations, Fogerty assigned his publishing and distribution rights to Fantasy.

Then in 1984, fourteen years after he wrote *Run Through the Jungle*, Fogerty wrote a new song called *The Old Man Down the Road*. Fantasy Records thought that the song sounded too much like *Run Through the Jungle* because it was a Swamp Rock song, so they sued Fogerty for copyright infringement.

Fogerty won the copyright case. The trial judge found that an artist simply could not plagiarize himself. You would think that would end things, but here is where the case got really interesting. After winning, Fogerty tried to get his attorneys fees and costs. At that time, prevailing plaintiffs tended to get their fees awarded as a matter of course, but with Fogerty, the trial court and then the Ninth Circuit said that prevailing defendants could not get their fees unless they showed that the original claim was frivolous or made in bad faith.

7. 510 U.S. 517 (1994).

Fogerty ultimately appealed the case to the Supreme Court, obviously not on the copying issue, but rather on the question of his demand for an award of attorney's fees. The Supreme Court agreed with Fogerty that there should not be a dual standard for prevailing plaintiffs and prevailing defendants. After all, the Copyright Act says that a court "may . . . award a reasonable attorney's fee to the prevailing party as part of the costs."⁸ Courts have to be more even-handed in awarding attorneys fees and costs because copyright law ultimately serves the purpose of enriching the general public through access to creative works, which means that it is really important to know the boundaries of copyright protection. A defendant seeking to advance meritorious copyright defenses should be encouraged to litigate them to the same extent that plaintiffs are encouraged to litigate meritorious infringement claims.

Of course, the Copyright Act says that a court "may" award attorney's fees. There is no automatic award when you prevail. How does a court decide? The Supreme Court said that courts are supposed to exercise "equitable discretion."⁹

Now, what happened with Fogerty? On remand, the district court gave him an award of \$1.3 million in fees. The court based its award on several factors. First, Fogerty prevailed with respect to his copyright in *The Old Man Down the Road*, which the Court said secured the public's access to an original work of authorship and paved the way for future original compositions—by Fogerty and others—in the same distinctive Swamp Rock style and genre. The district court also reasoned that while Fantasy litigated in good faith, Fogerty's defense was the type of defense that furthers the purposes underlying the Copyright Act and therefore should be encouraged through a fee award. Further, the district court found that a fee award was appropriate to help restore to Fogerty some of the lost value of *The Old Man Down the Road* copyright that he was forced to defend.

Did Fantasy Records just pay up? No. They appealed. Fantasy argued that the district court abused its discretion in awarding fees to Fogerty because Fantasy was "blameless" in pursuing a "good faith" and "faultless" lawsuit.

Luckily, the Ninth Circuit agreed with Fogerty this time around. The Court found that the policies served by the Copyright Act are more

8. 17 U.S.C. § 505 (2006).

9. *Fogerty*, 510 U.S. at 534.

complex, more measured, than simply maximizing the number of meritorious suits for copyright infringement. They affirmed the award of fees and went one step further by remanding the case back to the district court so that the district court could give Fogerty another fee award—his fees for defending Fantasy’s appeal.

Why did I select Fogerty’s fight with Fantasy as one of my top three copyright cases? During the course of my career, I have represented copyright owners who have had their rights cruelly and unfairly stolen by unscrupulous copyists and infringers. I have also represented honest, hard working business people who have been maliciously and unfairly accused of stealing someone else’s intellectual property simply because they put out a competitive product. (Copyright owners have a tendency to overreach sometimes. They may do it in good faith, but they are overreaching nonetheless.)

What the plaintiffs and the defendants have in common is that they all need lawyers and all lawyers cost money. Just citing the Fogerty decision can sometime keep your clients out of court. It may inspire a defendant to settle or it may dissuade a plaintiff from bringing a questionable case. Every plaintiff mentions attorney’s fees in their cease and desist letter, but few of them remember that they might end up paying the defendant’s fees if they lose. Here is one more thing you need to remember about this case: The Supreme Court said that courts have to take an even handed approach in making fee awards, but it is not that easy. Just read the Copyright Act. A prevailing plaintiff cannot get an award of attorney’s fees unless they got (or at least applied for) their copyright registration before the infringement commenced. Therefore, there are times when a prevailing defendant can get fees, but a prevailing plaintiff is out of luck. On the other hand, sometimes you lose, but you do not lose.

For example, back when Professor Murray was a lowly associate in private practice, she helped me litigate a copyright case involving the software used in Black Hawk helicopters. We cannot tell you more about the software because it is all classified, but the important thing about the case was not the software. The plaintiffs kept bragging that our client was going to lose and have to pay their attorney’s fees. Not so fast, I said. You did not apply to register your copyright until AFTER you claim my client started copying your software without authorization. That means that you did not apply until after the alleged infringement commenced. While we did lose the copyright infringement claim, I am pleased to say that the Court only awarded the plaintiff \$15,000 in damages and no attorney’s fees!

I do not litigate IP cases anymore. I manage outside counsel instead. I also deal more with commercials than with software these days. Of course, the IP issues are just as complex. I face trademark, copyright, and even patent questions on a daily basis. I also deal with cutting edge technology issues and the ever changing world of advertising law. After all these years, I still love every minute of it.

With that, I would like to thank you all again for inviting me to speak here tonight. Since I work for a marketing-focused organization, I have brought a few parting gifts for each of you. Please enjoy them and remember, always, always, always EAT FRESH!